Draft Statement of Accounts

2010 - 2011

Cheshire East Council

www.cheshireeast.gov.uk

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Explanatory Foreword

The published Accounts, for the year ended 31st March 2011, form an important element in demonstrating how the Council manages the public money it is responsible for. The accounts show how resources have been used by budget managers to deliver everyday services to Cheshire East's community.

The financial statements present a fair reflection of financial activity in Cheshire East Borough Council during the period 1st April 2010 to 31st March 2011. The presentation of the statements is intended to support the reader in understanding the Council's finances and allow them to be compared against other local authorities whose accounts are prepared in this same format.

This foreword covers:

- An explanation of the various statements which make up the Council's 2010/2011 accounts;
- Information on where expenditure was incurred and sources of income in 2010/2011;
- Commentary on the financial statements
- A description of any material issues affecting the council in 2010/2011;

I hope you find this Statement of Accounts clear and informative. Should you require any further information, please contact Cheshire East Customer Services, telephone number 0300 123 55 00 (all calls at local rates).

Lisa Quinn MAAT CPFA

Borough Treasurer and Head of Assets for Cheshire East Borough Council

Explanatory Foreword ~ the Statements

The Council's accounts provide a number of key tables to assist the reader in understanding key facts about the council's financial management and financial position.

The following items are contained within the accounts:

The Financial Statements:

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement
This account gives detailed information about total expenditure on the services that we provide. Income for each service is matched against the expenditure to show the net cost of services. The account also shows how much is received from council tax payers and from general government grants to help meet the cost of services.

Balance Sheet
The Balance Sheet provides a snapshot of our financial position as at 31 March 2011 and includes both the General Fund and the Collection Fund balances. It sets out what we own and what we owe at this point in time.

Cash Flow Statement
This statement summarises the total cash movements during the year for both capital and revenue purposes.

Notes to the Financial Statements

These notes provide further information to aid understanding of the financial statements.

Accounting Policies

A Statement of how the Council applies rules and discretion in preparing the accounts. The information contained in the Accounting Policies will help the reader to understand why certain items within the statements are presented in the way they are.

Supplementary Financial Statement:

Collection Fund
Cheshire East is obliged to maintain this fund separately from all our other funds and accounts. It shows the transactions that have arisen because we are a billing authority, responsible for collecting non-domestic rates and council tax on behalf of the government and precepting authorities - the police and fire authorities, town and parish councils - as well as for ourselves. The Collection Fund records the income we receive from local tax payers and the money that is distributed as precepts.

Explanatory Foreword ~ Spending on Services, Sources of Income

Where the money was spent

The table below shows how the gross revenue expenditure was distributed across services in 2010/11 in accordance with the Best Value service expenditure analysis:

SERVICE	2010/2011 £000	%
Cultural, Environmental, Regulatory & Planning Services	93,507	12
Education and Children's Services	403,875	53
Highways, Roads and Transport Services	43,354	6
Housing Services	85,866	11
Central Services	42,421	6
Adult Social Care	156,653	21
Exceptional Items	(106,910)	(14)
Financing and Investment Expenditure	32,494	4
Other Operating Expenditure	7,582	1
TOTAL	758,842	100

Where the Money Comes from

In 2010/2011 the Council received revenue funding and income of £783.8m. The table below shows where the Council's funding came from:

SOURCES OF FUNDING	2010/2011 £000	%
Fees and Charges	68,429	9
Specific Government Grants	393,559	50
Other Government Grants	40,684	5
Revenue Support Grant	8,050	1
National Non-Domestic Rate (NNDR)	55,437	7
Council Tax	179,618	23
Area Based Grant	16,817	2
Other Income (incl. Joint Arrangements)	21,241	3
TOTAL	783,835	100

Schools-related expenditure is paid directly to local authorities via the Dedicated Schools Grant (DSG) and this has been included within specific government grants in the table above. Additional specific grants are also received from the Government, mainly for Schools Development and Standards Fund in Education and Council Tax and Housing Benefit Subsidy, making grant income the main source of funding (50%). 23% of the Council's funding comes from Council Tax, with a further 8% from Revenue Support Grant and National Non Domestic Rates. Fees and charges

generated by service activities represent 9% of the total income of the Council. Services are encouraged to continuously review charging policies to ensure that the optimum amount of income can be generated in specific areas to assist the Council in operating within financial constraints. Other income in the main relates to joint funding arrangements in Adults Social Care. The Council also receives income in the form of interest through the management of its reserves. During 2010-11 the Council received additional income in settlement of retrospective VAT claims following legal rulings relating to various cultural and leisure charges.

The difference between the Council's funding and gross service expenditure of £25.0m represents the net surplus for the year before accounting for the appropriations to/from reserves and other adjustments required by statute.

The exceptional items include a past service pension credit of £107.396m, this exceptional gain is due to the change in public sector pension increases being linked to the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI) in future and CPI is likely to be 0.8% less than RPI. This change in pension increase assumption is regarded as a change in benefit and has been treated as a past service credit. The effect is reversed out in the Movement in Reserves Statement to have a nil impact on the General Fund balance.

Revenue Spend Compared to Budget

The General Fund net budget requirement for the year was agreed at £243.1m, consisting of service budgets of £238.8m and a net contribution to balances of £4.3m. Actual spend amounted to £240.8, with a net increase in general balances of £2.3m.

General Fund	Revised Budget £000	Actual £000	Variance £000
Net Expenditure	238,817	240,802	(1,985)
Contribution to/(from) balances	4,288	2,303	1,985
Budget Requirement	**243,105**	**243,105**	**0**

Capital Expenditure

Expenditure on Capital Projects in 2010-11 was £72.6m.

The £72.6m capital expenditure incurred by the Council is broken down below:

DEPARTMENT	SERVICE	£000
People	Children's Services	19,953
	Adult Services	3,124
	Health & Wellbeing	2,422
Places	Environmental Services	24,156
	Safer & Stronger Communities	576
	Planning & Policy	3,206
	Regeneration	4,485
Performance & Capacity	Property Services & Building Maintenance	8,253
	I.C.T	5,614
	Other Services	854
	TOTAL	**72,643**

The sources of income which financed this expenditure are:

SOURCE	2010/2011 £000	%
Supported Borrowing	11,088	15
Prudential (Unsupported) Borrowing	7,474	10
Grants and Contributions	36,939	51
Revenue Contribution to Capital	154	0
Capital Reserve	16,988	24
TOTAL	**72,643**	**100**

The approved capital budget for 2010-11 was £102.6m. A fundamental review of the capital programme was undertaken during 2010-11 to ensure that only schemes which fulfil the Council's priorities for service delivery are included in the programme. The outcome of the review resulted in a reduction in the programme of £5.6m and a reprofiling of expenditure from 2010-11 to future years.

Capital Schemes can take a number of years to complete; an illustrative list of schemes started in 2010-11 is given below:

Adult CAF Demonstrator	The implementation and development of a Common Assessment Framework (CAF) for Adults. CAF will be the mainstream application for multi-agency assessments throughout Cheshire.
Radio Frequency Identification	The provision of self service facilities in libraries using RFID technology.
Alsager Performing Arts Centre	Provision of a purpose built Performing Arts Centre at Alsager High School.
Poynton Revitalisation Scheme	The creation of a public realm scheme, based on the principal of a 'shared space' (vehicles and pedestrians) which helps the village centre to thrive while continuing to accommodate the significant traffic flows.
Local Transport Plan (LTP) – Principal Roads, Non-principal Roads, Bridges	Major programmes for infrastructure maintenance.
Purchase of Royal Mail Site, Weston Road Crewe	The acquisition of the Royal Mail site is a strategic long term investment to support the delivery of the redevelopment of Crewe Station as part of the Council's 'All Change for Crewe' regeneration programme
Office Accommodation Strategy	Provision of office accommodation in various locations - major office refurbishment has been undertaken at Delamere House, Crewe and Macclesfield Town Hall during 2010-11.

Examples of capital schemes completed during 2010-11 and now ready for use:

Alderley Edge By-Pass Scheme	The By-Pass opened to traffic in November 2010, six months ahead of schedule. The construction of the bypass included three road bridges, a rail bridge over the West Coast Mainline, a footbridge, 1km of bentonite slurry wall and a bored pile retaining wall. The works also included construction of a new roundabout and modifications to an existing roundabout.
Improvements to Chapel Street Car Park	Improvements included a full resurface, new lighting and CCTV along with a full drainage system.
Lincoln House	Provision of a purpose built dementia wing, which features 12 assessment and respite units with en-suite facilities and assistive technology as well as communal areas and a day care facility for 12 people. The rest of the centre has benefited from a remodeling and refurbishment of its 32 bedrooms

Oracle Optimisation/Back Office Transformation	The upgrade of the entire Oracle estate from version 11.5.10 to R12 was completed in February 2011. The project which was jointly delivered with Cheshire West and Chester, and in partnership with PricewaterhouseCoopers (PWC) has had a significant impact across all areas of HR, Payroll, Income, Procurement, Finance and Reporting.
Sir William Stanier Community School	A new leisure centre including a sports hall, dance studio, drama studio, meeting facilities, a fully-equipped computer suite and all-weather pitches opened in July 2010. The new state-of-the-art facilities are available to both school pupils and members of the public. The school which replaces Coppenhall High School and Victoria Community Technology School, which were amalgamated in 2007 was built on the site of Coppenhall High School and opened in September 2009

As at 31 March 2011, long term borrowing was £134.4m, of which 87% was borrowed from the Public Works Loans Board. A detailed analysis of this is shown in the Notes to the Financial Statements (Note 19e).

Explanatory Foreword ~ Issues affecting the Council in 2010/2011

Local Government Reorganisation

2010-11 is the second year of operation for Cheshire East Borough Council. On 1st April 2009, the new unitary authority of Cheshire East Borough Council replaced the former District authorities of Macclesfield Borough Council, Crewe & Nantwich Borough Council, Congleton Borough Council and half of Cheshire County Council. On the same date, Cheshire West and Chester Council replaced the former District authorities of Chester City Council, Vale Royal Borough Council, Ellesmere Port & Neston Borough Council and half of Cheshire County Council.

Shared Services

The Council currently has several long and short term sharing arrangements with Cheshire West and Chester Council. These are predominantly focused on back office transactional and ICT functions but with some shared services supporting frontline delivery for example in Libraries and Archives. These sharing arrangements have delivered in excess of £7m savings since their introduction in 2009 and are set to deliver a further £1.4 m in 2011-12.

Existing sharing arrangements will continue to be managed to deliver best value for Cheshire East Borough Council and its stakeholders. Greater effort will be focused on exploring opportunities to extend the Council’s approach to collaborative working, with a range of partner organisations to provide more streamlined and co-ordinated approaches to service delivery, resulting in greater efficiency and improved performance. Further detail on the Shared Service Agreements are included in the notes to the financial statements.

Joint Assets - Property Transfer Agreement

Following local government re-organisation a number of assets formerly owned by Cheshire County Council remained as joint assets, these related to corporate administrative buildings, surplus properties and a number of residual properties where an agreement had not been

reached. These joint assets were initially disaggregated to a caretaker authority based on geographical location with the interest of the non caretaker authority recognised as a long term liability on the balance sheet and a long term asset on the balance sheet of the non caretaker. Following detailed negotiations and discussions between the two authorities an agreement has now been reached and this was formerly approved in February 2011. The Property Transfer Agreement has resulted in a payment from Cheshire West and Chester Council to Cheshire East Borough Council of the sum of £2.34 million. There are a few remaining properties relating to Shared Services that were excluded from the Agreement that will form part of future discussions and be resolved over time.

Economic Climate

The economic climate continues to have an impact on the Council's income levels, particularly planning fees, car parking charges and returns on investment income.

The Net Pension Liability has reduced from £606.5m at 1 April 2010 to £280.7m at 31 March 2011 due to a rise in the real discount rate used to value the scheme liabilities; this is principally due to the change to pension increases now being linked to CPI as opposed to (higher) RPI. On the assets side, the investment return during 2010/11 was typically in the region of 5% to 10%, which means there is an asset gain. The combined impact of the investment returns, the financial assumptions and the switch to CPI has made significant reductions to the deficit level.

International Financial Reporting Standards

This year's accounts are the first to adopt International Financial Reporting Standards (IFRS). The statements have been prepared in accordance with the code of practice on Local Authority Accounting in the United Kingdom 2010/11 "The Code". The previous year's statements of accounts were prepared in accordance with generally accepted accounting principles"GAAP".

Compliance with the statutory IFRS reporting requirements represents a significant change in the compilation and presentation of the Council's Annual Statement of Accounts and all related financial information and records. As part of the transition to reporting on an IFRS basis, it has been a requirement to restate the opening balance sheets as at 1st April 2009 and 31st March 2010 and further details are provided in Note 1 of the Accounts.

Whilst many of the changes in recent years to Local Authority Accounting practice have prepared the way for IFRS there have still been a number of further changes including the following:

- Reclassification of fixed assets to reflect the IFRS categories of Property, Plant and Equipment (PPE), Investment Properties, Non Current Assets Held for Sale, Surplus Assets and Community Assets;
- Investment properties and Assets Held for Sales are now shown separately on the balance sheet;
- The separate recognition of two or more significant components of an asset for depreciation purposes;
- Employee Benefits are accounted for as they are earned by the employee, this requires an accrual for items such as holiday pay;

- A review of the accounting treatment of leases has resulted in the reclassification of a number of leases from operational to finance leases;

- Property leases are now classified and accounted for as separate leases of land and buildings;

- Investment properties are now to be carried at fair value;

- Grants and contributions relating to capital expenditure are recognised as income immediately rather than being deferred and released to revenue to match depreciation.

- Changes to the financial statements; are as follows;-

    - Income & Expenditure Statement and Statement of Total Recognised Gains and Losses now becomes the Comprehensive Income & Expenditure Statement.

    - Statement of Movement on the General Fund Balance and the note of movement in reserves are replaced by the Movement in Reserves Statement.

    - Additional reporting requirements including segmental reporting.

Explanatory Foreword ~ Commentary on the Key Financial Statements

Comprehensive Income and Expenditure Statement and Movement in Reserves Statement

The Council operates within a robust framework of accountability through its Scheme of Financial Delegation. Named managers each have an agreed annual budget within which they are required to achieve clearly identified aims and objectives set out in their service plan. Managers must account for their actions to elected Councillors at key stages in the year.

A net expenditure budget of £243.1m for 2010-2011 was agreed by the Council in February 2010. The Comprehensive Income and Expenditure Statement for 2010/2011 shows a surplus of income over expenditure of £25.0m. Included within this figure are a number of notional charges and credits made to comply with recommended accounting practice; charges for depreciation, impairments, pension related costs, losses on the sale of fixed assets and credits for government grants and contributions applied to capital expenditure.

The Movement in Reserves Statement brings together all the adjustments required in order to reverse out the notional charges and credits, which are required to comply with recommended accounting practice and replaces them with the amounts required to be funded from Council Tax. Further details relating to these adjustments are detailed in Note 5. In total, these adjustments amount to (£30.7m) and, when netted off against the deficit on the Comprehensive Income and Expenditure Statement, adjusted for transfers from ear-marked reserves of £8.0m, results in an increase in General Fund balances of £2.3m.

Balance Sheet

Property, Plant and Equipment, which represent the value of land, buildings, roads, bridges and vehicles, total over £886m. These have increased by £152m during the year, largely as a result of:

- £24.0m expenditure on infrastructure;

- £21.9m expenditure on property;
- £11.0m expenditure on equipment and vehicles;
- £170.1m upward valuation of properties;
- £6.5m expenditure on assets under construction.

Offset by

- Disposals and write-out of assets with a value of £14.7m;
- Depreciation and impairment charges of £69.2m, including adjustments for revalued, impaired or disposed-of assets.

Long term debtors, i.e. amounts due to the Council after a period of more than one year, have decreased by £9.2m. This is largely due to the settlement of the joint assets with Cheshire West and Chester and the writing out of the long term debt associated with this.

Long term liabilities have decreased by £338.4m. This mainly comprises of a decrease of £320m in the Net Pension Liability, mainly a result of the Local Government Workers Pension. The increase in the Local Government Workers Scheme is due to positive asset returns and falling long term inflation expectations.

Reserves are important as a means of providing working capital to finance spending whilst awaiting income. They are also a means of providing flexibility in the event of unforeseen circumstances. The Council seeks to maintain the General Fund at a level consistent with a detailed assessment of risk as set out in its Reserves' Strategy. This assessment is updated annually as part of the Council's Medium Term Financial Plan. The current level of the Fund (£12.5m) is considered to be at an adequate level.

In addition to general reserves, the Council has created a number of earmarked reserves to provide for specific future spending requirements. On an exceptional basis managers are able to carry forward planned under spending into the following year, thereby creating an earmarked reserve. This gives them increased flexibility but it is set within a framework of clear accountabilities.

The Council also maintains a Capital Reserve to finance future capital schemes. It is maintained by receipts from the sale of land and buildings and by contributions in some years from revenue. The balance on the reserve as at 31 March 2011 was £22.5m.

In addition, the Council has a number of other earmarked reserves. Further details of these can be found in Note 7.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Receipts Deferred £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 1 April 2009	22,907	31,931	36,746	164	6,957	**98,705**	222,398	**321,103**
<u>Movement in reserves during 2009/10</u>								
Surplus or (deficit) on the provision of services	(17,248)	0	0	0	0	**(17,248)**	0	**(17,248)**
Revaluation gains (chargeable to revaluation reserve)	0	0	0	0	0	**0**	42,683	**42,683**
Revaluation losses (chargeable to revaluation reserve)	0	0	0	0	0	**0**	0	**0**
Impairment losses (chargeable to revaluation reserve)	0	0	0	0	0	**0**	0	**0**
Surplus / Deficit on revaluation of available for sale financial assets	0	0	0	0	0	**0**	(65)	**(65)**
Actuarial gains / losses on pension assets / liabilities	0	0	0	0	0	**0**	(282,887)	**(282,887)**
Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**	**0**	**(240,269)**	**(240,269)**
Total Comprehensive Income and Expenditure	**(17,248)**	**0**	**0**	**0**	**0**	**(17,248)**	**(240,269)**	**(257,517)**
Adjustments between accounting basis & funding basis under regulations (Note 5)	8,523	0	(7,828)	(4)	15,010	**15,701**	(22,041)	**(6,340)**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(8,725)**	**0**	**(7,828)**	**(4)**	**15,010**	**(1,547)**	**(262,310)**	**(263,857)**
Transfers to/from Earmarked Reserves (Note 7)	(3,958)	386	3,769	(50)	0	**147**	2	**149**
Increase/Decrease in 2009/10	**(12,683)**	**386**	**(4,059)**	**(54)**	**15,010**	**(1,400)**	**(262,308)**	**(263,708)**
Balance at 31 March 2010 carried forward	**10,224**	**32,317**	**32,687**	**110**	**21,967**	**97,305**	**(39,910)**	**57,395**

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Receipts Deferred	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
Movement in reserves during 2010/11								
Surplus or (deficit) on provision of services	24,993	0	0	0	0	24,993	0	24,993
Revaluation gains (chargeable to revaluation reserve)							185,311	**185,311**
Revaluation losses (chargeable to revaluation reserve)							(4,081)	**(4,081)**
Impairment losses (chargeable to revaluation reserve)							(694)	**(694)**
Surplus / Deficit on revaluation of available for sale financial assets							(617)	**(617)**
Actuarial gains / losses on pension assets / liabilities							235,281	**235,281**
Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**	**0**	**415,200**	**415,200**
Total Comprehensive Income and Expenditure	24,993	**0**	**0**	**0**	**0**	**0**	**415,200**	**440,193**
Adjustments between accounting basis & funding basis under regulations (Note 5)	(30,710)	0	(9,341)	(15)	3,639	**(36,427)**	43,717	7,290
Net Increase/Decrease before Transfers to Earmarked Reserves	**(5,717)**	**0**	**(9,341)**	**(15)**	**3,639**	**(11,434)**	**458,917**	**447,483**
Transfers to/from Earmarked Reserves (Note 7)	8,020	(7,919)	(804)	0	0	**(703)**	603	**(100)**
Increase/Decrease in Year	**2,303**	**(7,919)**	**(10,145)**	**(15)**	**3,639**	**(12,137)**	**459,520**	**447,383**
Balance at 31 March 2011 carried forward	**12,527**	**24,398**	**22,542**	**95**	**25,606**	**85,168**	**419,610**	**504,778**

Comprehensive Income and Expenditure Statement

This statement provides a summary of income and expenditure for the year

2009/2010 Gross Expenditure £000	2009/2010 Gross Income £000	2009/2010 Net Expenditure £000		2010/2011 Gross Expenditure £000	2010/2011 Gross Income £000	2010/2011 Net Expenditure £000
25,285	(23,702)	**1,583**	Central services to the public	28,597	(24,763)	**3,834**
87,822	(23,773)	**64,049**	Cultural, environmental, regulatory and planning services	93,507	(21,003)	**72,504**
332,993	(281,431)	**51,562**	Education and children's services	403,875	(292,584)	**111,291**
41,638	(12,555)	**29,083**	Highways and transport services	43,354	(14,008)	**29,346**
75,052	(71,003)	**4,049**	Other housing services	85,866	(80,109)	**5,757**
162,366	(65,266)	**97,100**	Adult social care	156,653	(43,422)	**113,231**
12,916	(1,682)	**11,234**	Exceptional Items	(106,910)	(2,343)	**(109,253)**
5,387	0	**5,387**	Corporate and democratic core	4,697	0	**4,697**
10,148	0	**10,148**	Non distributed costs	9,127	0	**9,127**
753,607	**(479,412)**	**274,195**	**Cost of Services**	**718,766**	**(478,232)**	**240,534**
24,674	(1,376)	**23,298**	Other Operating Expenditure (Note 9)	7,582	(2,926)	**4,656**
42,578	(15,876)	**26,702**	Financing and Investment Income & Expenditure (Note 10)	32,494	(2,071)	**30,423**
0	(306,947)	**(306,947)**	Taxation and Non-Specific Grant Income (Note 11)	0	(300,606)	**(300,606)**
820,859	**(803,610)**	**17,248**	**(Surplus) or Deficit on Provision of Services**	**758,842**	**(783,835)**	**(24,993)**
		(42,683)	Surplus or deficit on revaluation of non current assets			**(180,536)**
		65	Surplus or deficit on revaluation of available for sale financial assets			**617**
		282,887	Actuarial gains / losses on pension assets / liabilities			**(235,281)**
		240,269	**Other Comprehensive Income and Expenditure**			**(415,200)**
		257,517	**Total Comprehensive Income and Expenditure**			**(440,193)**

Balance Sheet as at 31 March 2011

This statement shows the end of year financial position of the Cheshire East Borough Council as a whole.

1st April 2009 £000	31st March 2010 £000		Notes	31st March 2011 £000
664,347	734,304	Property, Plant & Equipment	12	886,408
17,439	19,098	Investment Property	13	19,841
140	58	Intangible Assets	14	297
976	1,156	Assets Held for Sale	15	0
1	1,242	Long Term Investments	19a	585
18,524	14,051	Long Term Debtors	19c	4,804
701,427	**769,909**	**Long Term Assets**		**911,935**
37,907	41,647	Short Term Investments	19b	39,358
0	0	Assets Held for Sale	15	215
822	743	Inventories	20	1,011
52,143	85,925	Short Term Debtors	21	62,612
34,412	44,885	Cash and Cash Equivalents	22	26,365
125,284	**173,200**	**Current Assets**		**129,561**
(40,537)	(104,446)	Short Term Creditors	23	(93,855)
(2,486)	0	Current Provisions	24	0
(43,023)	**(104,446)**	**Current Liabilities**		**(93,855)**
(4,639)	(4,618)	Long Term Creditors	19g	0
(6,456)	(10,183)	Provisions	24	(5,864)
(137,412)	(137,427)	Long Term Borrowing	19e	(129,382)
(304,281)	(600,536)	Net Pension Liability	47	(280,723)
(647)	(585)	Other Deferred Liabilities	44	(269)
(7,761)	(26,040)	Other Long Term Liabilities	19f	(25,070)
(1,389)	(1,880)	Capital Grant Receipts in Advance	42	(1,555)
(462,585)	**(781,269)**	**Long Term Liabilities**		**(442,863)**
321,103	**57,394**	**Net Assets**		**504,778**
98,705	97,304	Usable Reserves	25	(85,168)
222,398	(39,910)	Unusable Reserves	26	(419,610)
321,103	**57,394**	**Total Reserves**		**(504,778)**

The Cashflow Statement for the year ended 31 March 2011

2009/10 £000		Notes	2010/11 £000
(17,248)	Net surplus or (deficit) on the provision of services		24,993
209,698	Adjustment to surplus or deficit on the provision of services for noncash movements		114,385
(145,313)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(120,139)
47,137	**Net Cash flows from operating activities**	**27**	**12,239**
(28,913)	Net Cash flows from Investing Activities	28	(16,225)
(7,751)	Net Cash flows from Financing Activities	29	(14,504)
10,473	**Net increase or decrease in cash and cash equivalents**		**(18,520)**

8,861	Cash and Bank Balances at the Beginning of the reporting period		(5,719)
25,551	Cash Investments at the Beginning of the reporting period		50,604
34,412			**44,885**
(5,719)	Cash and Bank Balances at the end of the reporting period		(2,021)
50,604	Cash Investments at the end of the reporting period		28,386
44,885			**26,365**
10,473	**Net increase or decrease in cash and cash equivalents**		**(18,520)**

Notes to the Statement of Accounts 2010/11

1. Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Short-Term Accumulating Compensated Absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

1st April 2009 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Short Term Creditors	(38,536)	(8,434)
Accumulated Absences Account		8,434

Movement In year		Movement £000
Short Term Creditors		877
Accumulated Absences Account		(877)

31st March 2010 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Short Term Creditors	(118,378)	(7,557)
Accumulated Absences Account		7,557

2009/10 Comprehensive Income and Expenditure Statement	2009/10 Statements £000	Adjustments Made £000
Central Services to the Public	992	9
Cultural, Environmental, Regulatory and Planning Services	64,969	101
Education and Children's Services	49,600	(1,170)
Highways and Transport Services	26,523	24
Other Housing Services	4,045	6
Adult Social Care	96,507	137
Corporate and Democratic Core	5,386	1
Non Distributed Costs	5,600	15
Total Adjustments		**(877)**

Leases

Under the Code the Council is required to assess whether a lease should be treated as a finance or operating lease. The council has carried out this assessment in its capacity as lessee and lessor which has resulted in the capitalisation of plant & equipment with a net book value amounting to £3,152k as at 1st April 2009 from former operating leases to finance leases.

Depreciation charges have been written off against the cost of service over the estimated useful life of the asset and finance charges have been included in interest payments. Future obligations under finance leases including interest charges have been included within creditors due within one year and long term liabilities.

This has resulted in the following changes being made to the 2009/10 financial statements:

1st April 2009 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Property, Plant and Equipment - Leased Assets	191	3,152
Short Term Creditors	(38,536)	(1,517)
Other Long-Term Liabilities - Finance Lease	(191)	(2,789)
Capital Adjustment Account	(437,917)	1,154

Movement in year		Movement £000
Property, Plant and Equipment - Leased Assets		(101)
Short Term Creditors		47
Other Long-Term Liabilities - Finance Lease		79
Capital Adjustment Account		(25)

31st March 2010 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Property, Plant and Equipment – Leased Assets	134	3,051
Short Term Creditors	(118,378)	(1,470)
Other Long-Term Liabilities - Finance Lease	(134)	(2,710)
Capital Adjustment Account	(402,555)	1,129

2009/10 Comprehensive Income and Expenditure Statement	2009/10 Statements £000	Adjustments Made £000
Central Services to the Public	992	(3)
Cultural, Environmental, Regulatory and Planning Services	64,969	(456)
Education and Children's Services	49,600	(13)
Financing and Investment Income & Expenditure	31,763	447
Total Adjustments		**(25)**

The net increase in the Surplus or Deficit on the Provision of Services is removed by the transfer of the depreciation charge to the Capital Adjustment Account. This transfer is shown in the Movement in Reserves Statement.

Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- £8.4m of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- A number of grants totalling £15m were received during 2009/10 but were not used.

Previously, no income was recognised in respect of these grants, which were shown in the Grants Unapplied Account within the liabilities section of the balance sheet. Following the change in accounting policy, the grants have been recognised in full, and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.

Also, Unconditional Revenue Grants received in advance, which were previously included in Short-term Creditors as receipts in advance, have been recognised in the Comprehensive Income and Expenditure Statement, and included in Earmarked Reserves on the Balance Sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

1st April 2009 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Short Term Creditors	(38,536)	7,056
Government Grants Deferred Account	(86,521)	86,521
Grants Unapplied – Liabilities	(8,347)	6,957
Earmarked Reserves	(61,002)	(7,056)
Capital Adjustment Account	(437,917)	(86,521)
Capital Grants Unapplied Account	0	(6,957)

Movement in year		Movement £000
Short Term Creditors		1,165
Government Grants Deferred Account		30,932
Grants Unapplied – Liabilities		15,010
Earmarked Reserves		(1,165)
Capital Adjustment Account		(30,932)
Capital Grants Unapplied Account		(15,010)

31st March 2010 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Short Term Creditors	(117,400)	8,221
Government Grants Deferred Account	(117,453)	117,453
Grants Unapplied – Liabilities	(10,003)	21,967
Earmarked Reserves	(56,121)	(8,221)
Capital Adjustment Account	(402,555)	(117,453)
Capital Grants Unapplied Account	0	(21,967)

2009/10 Comprehensive Income and Expenditure Statement	2009/10 Statements £000	Adjustments Made £000
Central Services to the Public	992	538
Cultural, Environmental, Regulatory and Planning Services	64,969	16
Education and Children's Services	49,600	3,252
Highways and Transport Services	26,523	2,532
Other Housing Services	4,045	(10)
Adult Social Care	96,507	468
Taxation and Non-Specific Grant Income	(253,043)	(53,903)
Total Adjustments		**(47,107)**

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

Property, Plant and Equipment

Some property assets previously held in Property, Plant and Equipment have been reclassified as Investment Properties. The impairment charge made in 2009/10 in respect of five of these properties had been understated, and this was corrected in restating the financial statements. The accounting provisions for Investment Properties also required the reversal of depreciation and revaluation gains. Changes in the Fair Value of Investment Properties are no longer a component of the Revaluation Reserve.

These contributed to the following movements in the 2009/10 financial statements:

1st April 2009 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Property, Plant and Equipment – Other Land & Buildings	426,786	0
Property, Plant and Equipment – Surplus Assets	8,651	(976)
Investment Properties	17,499	(60)
Assets held for Sale	0	976
Revaluation Reserve	(13,264)	0
Capital Adjustment Account	(437,917)	60

Movement in year		Movement £000
Property, Plant and Equipment – Other Land & Buildings		2,049
Property, Plant and Equipment – Surplus Assets		5,530
Investment Properties		(12,238)
Assets held for Sale		180
Revaluation Reserve		6,097
Capital Adjustment Account		(1,618)

31st March 2010 Balance Sheet	2009/10 Statements £000	Adjustments Made £000
Property, Plant and Equipment – Other Land & Buildings	437,276	2,049
Property, Plant and Equipment – Surplus Assets	8,441	4,554
Investment Properties	31,396	(12,298)
Assets held for Sale	0	1,156
Revaluation Reserve	(55,391)	6,097
Capital Adjustment Account	(402,555)	(1,558)

2009/10 Comprehensive Income and Expenditure Statement	2009/10 Statements £000	Adjustments Made £000
Cultural, Environmental, Regulatory and Planning Services	64,969	418
Education and Children's Services	49,600	(23)
Adult Social Care	96,507	(29)
Non Distributed Costs	5,600	4,533
Financing and Investment Income & Expenditure	31,763	(6,517)
Total Adjustments		**(1,618)**

2. Accounting Standards Issued but yet to be adopted

2(a) Heritage Assets – Impact of Adoption of the New Standard on the 2011/12 Financial Statements

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard, to the extent that the information is known or reasonably estimable, in these financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

The Code states that heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. Details of the number and value of heritage assets held by the authority are currently unknown, and undertaking an estimate of the likely effect of adopting the standard in 2011/12, at this point in time, isn't capable of accurate estimation.

2(b) Community Assets Measurement: Impact of the Change in Accounting Policy on the 2011/12 Financial Statements

As a consequence of the introduction of the Heritage Assets standard in the 2011/12 Code (detailed above), it added the option for local authorities to extend the measurement and disclosures required by heritage assets to community assets, a sub classification of Property, Plant and Equipment in the Balance Sheet (Note 12). At the time these Financial Statements were authorised for issue, the authority has not opted to change its accounting policy in relation to the measurement and disclosure of community assets in the financial year 2011/12.

Community assets are currently held at depreciated historical cost in the financial statements. The carrying amount for community assets at the 1 April 2010 is £1.6 million. There are currently no material assets classified as community assets within property plant and equipment that will be reclassified as heritage assets as a result of the adoption of the heritage assets standard. The Code will permit a move to a valuation basis for community assets in 2011/12. The Authority currently has no plans to recognise community assets in the balance sheet at existing use value in property, plant and equipment.

3. Critical Judgement in Applying Accounting Policies

In applying the accounting policies set out in Note 50, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statements of Accounts are:

- The Council is deemed to control the services provided under the agreement for the provision of Extra Care Housing on three sites at Middlewich, Handforth and Crewe. The Council will control the residual value of the homes at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the land and buildings valued at £27.6m are recognised as Property, Plant and Equipment on the Balance Sheet.

- The market for Adults Social care is extremely turbulent at the current time. A number of providers both nationally and locally are facing financial problems. The Council has noted these difficulties but have not formally recorded this as an issue at this point in time. The situation will be kept under close security and will be amended accordingly should any material changes occur before the end of September 2011.

- Deferred debts and panel adaption loans provide credit to individuals with no interest charge. These balances are not treated as soft loans due to the statutory requirement to offer deferred debt arrangements and the insignificant value (£36k) of panel adaptions.

- The partnership arrangements with the Crime & Disorder Reduction Partnership (CDRP) and the Cheshire Safer Roads Partnership (CSRP) have been considered against the criteria for Group Accounts. It has been concluded that neither involve group accounts as although Cheshire East Borough Council is the accountable body for the partnership budget, decisions with regard to policy and spending are voted and agreed upon by members of the respective boards.

- The Council has made a judgement on the accounting treatment of preparatory expenditure in relation to a Waste Management Private Finance Initiative, a joint project with Cheshire West and Chester Council. Information on this may be found in the note on Contingent Liabilities – Note 48.

- The Council has contractual arrangements with Connexions for the provision of youth related services. The company is considered to be an associate however the Council has not produced group accounts due to the monetary amounts involved. Information on this may be found in the note on Interest in other Companies and Entities – Note 39.

4. Assumptions – Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson are engaged as actuaries to provide the Authority with advice about the assumptions to be applied and these are summarised as follows.

Demographic assumptions

The post-retirement mortality assumptions recommended for 2010-11 are the SAPS year of birth tables with medium cohort improvements and a 1% p.a. underpin, both applied from 2007. These assumptions lead to higher life expectancies than adopted in previous years. This change is consistent with the continuing trend to make allowance for increasing life expectancy.

Discount Rate

IAS19 states that the discount rate used to place a value on the liabilities should be "determined by reference to market yields at the end of the reporting period on high quality corporate bonds". The discount rate is based on the yield available on a basket of AA-rated bonds with long terms to maturity (the iBoxx Sterling Corporate AA Over 15 Years Index) at the IAS19 valuation date with one slight amendment, the removal of recently re-rated bonds from the index.

Pension increase assumption

The pension increase assumption is in line with the Consumer Prices Index (CPI) rather than RPI.

Salary increase assumption.

Based on an analysis of membership in LGPS funds, and taking into account the Government's public sector pay freeze for all but those earning less than £21,000 p.a., the average expected increase in pensionable pay across all employees is 1% p.a. for the next two years, reverting back to RPI plus 1.5% p.a. from year 3 onwards.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Changes in assumptions at year ended 31 March 2011	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	3%	2,371
1 year increase in member life expectancy	5%	3,626
0.5% increase in the Salary Increase Rate	0%	0
0.5% increase in the Pension Increase Rate	3%	2,422

Arrears
As at 31 March 2011 the Council had a balance of sundry debtors of £57.6m. In accordance with the accounting policy set out in Note 50 (Accounting Policies) a bad debt provision in respect of sundry debtors amounting to £1.8m has been provided. This represents 3.1% of the sundry debtor balance (March 2010 4.1%). The Council considers the percentage increase in bad debt provision adequate to cover any potential deterioration future collection rates.

5. Adjustments between Accounting Basis and Funding Basis

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure

2010/11 Adjustments	General Fund Balance £000	Capital Receipts Reserve £000	Capital Receipts Deferred £000	Capital Grants Unapplied £000	**Total Usable Reserves** £000	Unusable Reserves £000	**Total Authority Reserves** £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:	**7,379**	**(9,341)**	**(15)**	**3,639**	**1,662**	**5,408**	**7,070**
Depreciation/amortisation	22,210				**22,210**	(22,210)	**0**
Impairment/revaluation losses (charged to I&E)	71,958				**71,958**	(71,958)	**0**
Capital grant and contributions applied	(37,045)				**(37,045)**	37,045	**0**
Revenue Expenditure Funded from Capital under Statute	5,604				**5,604**	(5,604)	**0**
Movement in market value of investment property	(91)				**(91)**	67	**(24)**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	4,406	811			**5,217**	(3,846)	**1,371**

2010/11 Adjustments	General Fund Balance	Capital Receipts Reserve	Capital Receipts Deferred	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
Grant and contributions unapplied credited to I&E	(3,639)	5,714	(15)	3,639	**5,699**	0	**5,699**
Right-to-Buy Capital Receipts	(1,173)	1,173			**0**		**0**
Use of capital receipts reserve to finance capital expenditure		(17,039)			**(17,039)**	17,039	**0**
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(54,851)				**(54,851)**	54,851	**0**
Gain/loss on revaluation of Available for sale Financial Instruments					**0**	24	**24**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	(38,089)	0	0	0	**(38,089)**	38,309	**220**
Statutory Provision for the repayment of debt - MRP	(7,290)				**(7,290)**	7,290	**0**
Statutory Repayment of Debt (Finance Lease Liabilities)	(1,019)				**(1,019)**	1,233	**214**
HRA capital receipts to housing central pool	6				**6**		**6**
Revenue contribution to finance capital	(105)				**(105)**	105	**0**
Employers contribution to pension schemes	(29,681)				**(29,681)**	29,681	**0**
Total Adjustments 2010/11	**(30,710)**	**(9,341)**	**(15)**	**3,639**	**(36,427)**	**43,717**	**7,290**

2009/10 Adjustments	General Fund Balance £000	Capital Receipts Reserve £000	Capital Receipts Deferred £000	Capital Grants Unapplied £000	**Total Usable Reserves** £000	Unusable Reserves £000	**Total Authority Reserves** £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:	**48,559**	**(7,828)**		**15,010**	**55,741**	**(62,087)**	**6,346**
Depreciation/amortisation	39,613				**39,613**	(39,614)	**(1)**
Impairment/revaluation losses (charged to I&E)	4,984				**4,984**	(4,561)	**423**
Capital grant and contributions applied	(39,341)				**(39,341)**	39,341	**0**

2009/10 Adjustments	General Fund Balance	Capital Receipts Reserve	Capital Receipts Deferred	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
Revenue Expenditure Funded from Capital under Statute	2,569				**2,569**	(2,569)	**0**
Movement in market value of investment property	(6,517)				**(6,517)**		**(6,517)**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	20,895				**20,895**	(24,351)	**(3,456)**
Other Capital Income	(2,050)				**(2,050)**		**(2,050)**
Grant and contributions unapplied credited to I&E	(14,424)	5,505		14,424	**5,505**		**5,505**
Use of capital grants and contributions to finance capital expenditure	(586)			586	**586**		
Use of capital receipts reserve to finance capital expenditure		(13,333)			**(13,333)**	13,198	**(135)**
Reversal of items relating to retirement benefits debited or credited to the CI&ES	44,298				**44,298**	(44,298)	**0**
Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments e.g. Soft loans	(61)				**(61)**	(61)	**(122)**
Gain/loss on revaluation of Available for sale Financial Instruments	61				**61**	(54)	**7**
Amount by which council tax income and residual community charge adjustment included in the CI&ES is different from the amount taken to the General Fund in accordance with regulation	(5)				**(5)**	5	**0**
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(877)				**(877)**	877	**0**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	**(40,036)**		**(4)**		**(40,040)**	**40,046**	**6**

2009/10 Adjustments	General Fund Balance	Capital Receipts Reserve	Capital Receipts Deferred	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
Statutory Provision for the repayment of debt - MRP	(6,684)				**(6,684)**	6,684	**0**
Statutory Repayment of Debt (Finance Lease Liabilities)	(1,328)				**(1,328)**	1,328	**0**
HRA capital receipts to housing central pool	11				**11**	0	**11**
Revenue contribution to finance capital	(1,106)				**(1,106)**	1,106	**0**
Employers contributions to pension schemes	(30,930)				**(30,930)**	30,930	**0**
Transfer of capital receipt for reclassified assets (Op to Fin Lease) for lessors under the CLG mitigation SI 454	1		(4)		**(3)**	(2)	**(5)**
Total Adjustments 2009/10	**8,523**	**(7,828)**	**(4)**	**15,010**	**15,701**	**(22,041)**	**(6,340)**

6. Statutory Provision for the Repayment of Debt (MRP)

The 2003 statutory regulations that set down the basis on which local authorities were required to provide for the repayment of debt were revoked on 31 March 2008. In place of these regulations the CLG issued statutory guidance on minimum revenue provision (MRP) that local authorities are legally obliged to have regard to. This guidance requires local authorities to make a prudent provision for the repayment of debt in the year 2010-11 and in each following year. The term 'prudent' is interpreted as meaning that the repayment of debt should be made over a period that bears some relation to the period over which the expenditure that gave rise to the borrowing provides benefits to the Authority.

The statutory guidance issued by the CLG requires that each local authority establishes its own policy on how it will make a prudent provision for the repayment of debt. The guidance further requires that such a policy be approved by Full Council.

The Council's policy on providing for the repayment of debt for the year 2010-11 was approved by Full Council on 24 February 2011. This policy sets down that the amount provided in respect of the repayment of debt is to be calculated as follows:

For capital expenditure incurred before 1 April 2008 and incurred on or after that date if it forms part of Government supported capital expenditure	4% of the Council's capital financing requirement (outstanding borrowing) at the end of the previous financial year.
For capital expenditure incurred before 1 April 2008 and which does not form part of Government supported capital expenditure	4% of the Council's capital financing requirement at the end of the previous financial year.

For capital expenditure incurred on or after 1 April 2008 and which does not form part of Government supported capital expenditure	Determined by reference to the life of the asset where MRP is charged in equal annual instalments commencing in the financial year following the one in which expenditure was incurred, or the year following the one in which the asset becomes operational.
Assets acquired under finance leases	The amount that goes to write down the Balance Sheet liability which is by reference to the life of the asset.

For the year 2010-11 the provision for the repayment of debt totalled £8.8 million, comprised as follows:

2009/10 £000		2010/11 £000
5,729	Amount provided at 4% of the capital financing requirement in respect of supported borrowing and unsupported borrowing incurred prior to 31 March 2009	6,012
616	Amount provided in respect of unsupported borrowing	1,278
57	Amount provided in respect of assets acquired under finance leases	1,077
280	Amount provided in respect of PFI arrangements	435
6,682	**TOTAL**	**8,802**

7. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	**Balance at 31 March 2010 £000**	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	**Balance at 31 March 2011 £000**
Revenue Grants transferred to earmarked reserves	7,056		1,165	**8,221**	(6,961)	1,716	**2,976**
Carry Forwards by Service Managers	758	(640)		**118**		42	**160**
Insurance Reserve	853		1,416	**2,269**		1,321	**3,590**
Invest to Save Reserve			2,000	**2,000**	(907)		**1,093**
LATS Trading Account Reserve			512	**512**	(277)		**235**
LPSA Reserve	2,175	(1,970)		**205**	(205)		**0**
PFI Equalisation Reserve	515		377	**892**			**892**
School Balances	8,021		636	**8,657**	(345)	1,663	**9,975**
Voluntary Redundancy Reserve			2,371	**2,371**	(3,871)	1,500	**0**
Economic Development Reserve	905	(905)	650	**650**	(187)		**463**
Enabling Local Working Reserve			625	**625**		92	**717**
Other Earmarked Reserves:							

	Balance at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	**Balance at 31 March 2010**	Transfers Out 2010/11	Transfers In 2010/11	**Balance at 31 March 2011**
Education All Risks Scheme	303	(174)		**129**		128	**257**
Long Term Sickness Scheme	94		122	**216**		301	**517**
Section 117	133			**133**			**133**
Leisure Facilities Management	70		26	**96**	(49)		**47**
Fluctuations in School Days			223	**223**			**223**
Victoria CC Cumberland	30		49	**79**		17	**96**
Countryside and Rangers	62			**62**			**62**
Health Improvements	37			**37**	(32)		**5**
Strategic Director	234	(150)		**84**	(84)	6	**6**
Streetscape	161	(110)		**51**	(51)	31	**31**
Crematoria	278		128	**406**	(406)	189	**189**
DEFRA – WPEG			36	**36**	(36)		**0**
Markets	154			**154**	(124)		**30**
Street Lighting			78	**78**	(78)		**0**
Community Safety	108		2	**110**	(95)	10	**25**
Parking	90	(49)		**41**	(41)		**0**
Building Regulation Fee Earning	582	(77)		**505**	(168)		**337**
Local Development Framework	191		100	**291**			**291**
Housing Strategy	170			**170**	(109)		**61**
Regeneration Support Service			164	**164**		145	**309**
People into Jobs			138	**138**	(81)		**57**
Recession Task Group			90	**90**	(42)		**48**
Climate Change	23		75	**98**	(31)		**67**
Building Maintenance	210			**210**	(210)		**0**
Crewe Business Park	46	(21)		**25**	(25)		**0**
Industrial Estates	16			**16**	(16)		**0**
Benefits	400	(200)		**200**			**200**
Local Strategic Partnership	12			**12**	(12)		**0**
Waste and Recycling	40	(40)		**0**			**0**
Commissioning	250	(250)		**0**			**0**
Places Finance	37	(37)		**0**			**0**
Corporate Unallocated	4,577	(4,577)		**0**			**0**
Section 106	82	(82)		**0**			**0**
Other Revenue Reserves	3,258	(1,315)		**1,943**	(694)		**1,249**
Travel Plan Measures	0			**0**		52	**52**
Crewe Lyceum Theatre	0			**0**		5	**5**
TOTAL	**31,931**	**(10,597)**	**10,983**	**32,317**	**(15,137)**	**7,218**	**24,398**

Reserves and Balances Held by Schools under Delegated Schemes

The funding framework for schools is laid down in the Schools Standards and Framework Act 1998. Unspent budgets that have been delegated remain at the disposal of the school, even though they are still reserves held by the Authority. In effect, these unspent balances represent a special form of reserve that is not available to the Council to use. It is a statutory earmarked reserve. As at 31st March 2011, the accumulated underspend on schools budgets was £9.962m.

8. Exceptional Items

Exceptional items are ones that are material in terms of the Authority's overall expenditure and not expected to recur frequently or regularly. Exceptional items are included on the face of the Income and Expenditure Account.

This year two specific items have been included in exceptional items.

(a) Past Service Pension Costs £107.396m:

In the June 2010 Emergency Budget, the Chancellor announced that public sector pension increases will henceforth be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The change of basis of valuation of future pension increases has given rise to an exceptional gain for past service amounting to £107.396m.

(b) Retrospective VAT claims:

During the year the Council received net income of £1.857m in settlement of retrospective "Fleming" VAT claims, after deducting fees payable to external consultants who completed the claims on behalf of the Council. The claims were made to recover VAT paid over in respect of various cultural and leisure charges, which was deemed to have been overpaid to HM Revenue and Customs following legal rulings.

9. Other Operating Income & Expenditure

2009/10 £000	Other Operating Expenditure	2010/11 £000
26	Car Leases	0
1,006	Depreciation of Joint Assets	0
130	Council Tax on Second Homes	130
2,717	Precepts and Levies	3,040
11	Payments to the Government Housing Capital Receipts Pool	6
(290)	Impairments of Financial Assets	0
16	Single Status Back-Pay	0
20,895	Gains/losses on the disposal of non current assets	4,406
163	Other Expenditure	0
24,674	**TOTAL**	**7,582**
2009/10 £000	**Other Operating Income**	**2010/11 £000**
(31)	Debt Charges Income	(56)
(377)	Business Finance Loan Interest	(369)

2009/10 £000	Other Operating Expenditure	2010/11 £000
(171)	3C Waste Royalties	(115)
(193)	CLC Rent Income	(103)
(368)	Other Capital Income	(1,173)
(236)	Other Income	(1,110)
(1,376)	**TOTAL**	**(2,926)**
23,298	**NET OTHER OPERATING EXPENDITURE**	**4,656**

10. Financing and Investment Income & Expenditure

2009/10 £000		2010/11 £000
8,348	Interest Payable and Similar Charges	6,239
(1,616)	Interest and Investment Income	(1,980)
23,727	Pensions Interest Cost and Rate of Return on Pension Assets	23,467
2,724	Trading Accounts (Surplus) / Deficit (Note 32)	2,788
(6,517)	Income and expenditure in relation to investment properties and changes in their fair value	(91)
0	Other investment income	0
26,702	**TOTAL**	**30,423**

11. Taxation and Non Specific Grant Income

2009/10 £000		2010/11 £000
(175,853)	Demand on Collection Fund	(179,618)
(5)	(Surplus)/Deficit on Collection Fund	0
(50,170)	Non domestic rates	(55,437)
(11,580)	Revenue Support Grant	(8,050)
(54,066)	Government Grants	(40,684)
(14,926)	Area Based Grant	(16,817)
(347)	Local Authority Business Growth Incentive Scheme (LABGI)	0
(306,947)	**TOTAL**	**(300,606)**

12. Property Plant and Equipment (PPE)

Property, Plant and Equipment 2010/11	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**	PFI Assets included in Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2010	479,968	48,992	299,425	1,703	20,028	37,662	**887,778**	26,196
Additions	21,951	10,944	24,026	0	0	6,486	**63,407**	0
New Finance Leases	0	386	0	0	0	0	**386**	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	163,349	0	0	0	6,777	0	**170,126**	940
Derecognition - Disposals	(4,942)	(381)	(52)	0	0	0	**(5,375)**	0
Derecognition - Other	(3,086)	(1,918)	0	0	0	(4,342)	**(9,346)**	0
Assets reclassified (to)/from Investment Properties	2,225	0	0	0	0	0	**2,225**	1,950
Assets reclassified (to)/from Intangible Assets	0	(302)	0	0	0	0	**(302)**	0
Assets reclassified within PPE	17,135	0	1,638	0	11,283	(30,056)	**0**	2,010
Other movements in Cost or Valuation	(7,271)	(6,548)	(440)	(101)	0	0	**(14,360)**	0
At 31 March 2011	**669,329**	**51,173**	**324,597**	**1,602**	**38,088**	**9,750**	**1,094,539**	**31,096**
Accumulated Depreciation and Impairment								
At 1 April 2010	40,643	29,994	75,701	103	7,033	0	**153,474**	2,975
Depreciation charge	9,752	3,894	8,864	0	0	0	**22,510**	474
Depreciation written out to the Revaluation Reserve	(15,149)	0	0	0	0	0	**(15,149)**	0
Impairment losses/ (reversals) recognised in the Revaluation Reserve	694	0	0	0	0	0	**694**	70
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	34,224	0	0	0	7,061	0	**41,285**	0
Impairment Losses - CNAV	15,145	6,349	408	0	0	0	**21,902**	0
Derecognition - Disposals	(210)	(318)	0	0	0	0	**(528)**	0
Derecognition - Other	(1,043)	0	0	0	(597)	0	**(1,640)**	0

Property, Plant and Equipment 2010/11	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant and Equipment**	PFI Assets included in Property, Plant and Equipment
Other movements in Depreciation and Impairment	(7,235)	(6,612)	(440)	(101)	(29)	0	**(14,417)**	0
At 31 March 2011	**76,821**	**33,307**	**84,533**	**2**	**13,468**	**0**	**208,131**	**3,519**
Net Book Value								
At 31 March 2011	**592,508**	**17,866**	**240,064**	**1,600**	**24,620**	**9,750**	**886,408**	**27,577**
At 31 March 2010	439,325	18,998	223,724	1,600	12,995	37,662	**734,304**	23,221

Property, Plant and Equipment Comparative Movements 2009/10	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**	PFI Assets included in Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2009	459,395	34,369	262,083	1,430	9,305	18,867	**785,449**	4,661
Additions	7,269	13,420	37,342	101	0	19,974	**78,106**	0
Additions – Finance Leases	0	1,203	0	0	0	0	**1,203**	0
Additions – PFI Assets	18,726	0	0	0	0	0	**18,726**	18,726
Revaluation increases/(decreases) recognised in the Revaluation Reserve	25,247	0	0	172	35	0	**25,454**	2,809
Derecognition - Disposals	(22,484)	0	0	0	0	0	(24,484)	0
Reclassifications	(10,457)	0	0	0	0	(1,179)	**(11,636)**	0
Reclassified from Investment Properties to OLB	2,272	0	0	0	0	0	**2,272**	0
Reclassified from Investment Properties to Surplus Assets	0	0	0	0	10,688	0	**10,688**	0
At 31 March 2010	**479,968**	**48,992**	**299,425**	**1,703**	**20,028**	**37,662**	**887,778**	**26,196**
Accumulated Depreciation and Impairment								
At 1 April 2009	32,609	19,541	67,320	2	1,630	0	**121,102**	0
Depreciation charge	7,413	2,380	7,941	0	0	0	**17,734**	380
Depreciation charge – Finance Leases	0	1,303	0	0	0	0	**1,303**	0
Depreciation written out to the Revaluation Reserve	(12,871)	0	0	0	0	0	**(12,871)**	0
Impairment	8,409	(1)	0	0	245	0	**8,653**	2,595
Assets not correctly impaired as at 31/03/2010	0	0	0	0	4,533	0	**4,533**	0
Derecognition - Disposals	(1,589)	0	0	0	0	0	**(1,589)**	0
Reclassifications	(820)	0	0	0	0	0	**(820)**	0
Reclassified from Investment Properties to OLB	223	0	0	0	0	0	**223**	0
Reclassified from Investment Properties to Surplus Assets	0	0	0	0	625	0	**625**	0
Other movements in Depreciation and Impairment	7,269	6,771	440	101	0	0	**14,581**	0
At 31 March 2010	**40,643**	**29,994**	**75,701**	**103**	**7,033**	**0**	**153,474**	**2,975**
Net Book Value								
At 1 April 2009	**426,786**	**14,828**	**194,763**	**1,428**	**7,675**	**18,867**	**664,347**	**4,661**
At 31 March 2010	439,325	18,998	223,724	1,600	12,995	37,662	**734,304**	23,221

Depreciation

All depreciation calculations are made on a straight-line basis.

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Operational Property excluding Land – 2 to 60 years. Useful lives are as indicated in the most recent valuation certificate.
- Operational Land – no charge is made.
- Vehicles, Plant, Furniture & Equipment – 3 to 20 years. Useful lives and residual values are as assessed by the suitably qualified users of the assets.
- Infrastructure – 40 years

No depreciation is charged on Surplus Assets, Investment Properties, or Community Assets. The predecessor authorities charged depreciation on these categories, resulting in accumulated depreciation brought forward at 1st April 2009. In 2009-10 the Council made no charge in respect of Surplus Assets or Community Assets. The Council made no charge for depreciation of Investment Assets in 2010/11.

Effects of Changes in Estimates

Depreciation on Operational Property is calculated using useful lives as indicated in the most recent valuation certificate.

All Operational Property transferred from the former Districts was revalued at 31 March 2010, and the certified useful lives were used in calculating the 2010/11 depreciation charge on these properties.

For comparison:

	Depreciation Charge 2009/10 £000	Depreciation Charge 2010/11 £000
Operational Property transferred from the former Districts	2,735	5,400

Combined with increased valuations, there was a tendency for shorter certified useful lives. Another factor in the increase was that for several assets, notably car parks, the asset had previously been regarded as land only. A land / buildings split for these assets was provided in the valuation certificate at 31 March 2010, and depreciation charges totalling £251k were made for the first time in 2010/11.

Revaluations

Property assets transferred from the former Districts were revalued at 31 March 2010. Property assets transferred from the former Cheshire County Council were revalued at 31 March 2011. As from the valuation to be made at 31 March 2012, the Council intends to develop a rolling programme to ensure that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

The valuation of land and buildings (other than the Farms Estate) at 31 March 2011 was carried out by DVS Commercial in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

- As defined in IAS16, Fair Value is the amount for which an asset could be exchanged between knowledgeable, willing partners in an arms length transaction.
- For Operational Assets, Fair Value relates to its existing use. Existing Use Value (EUV) is the basis used in valuing non-specialised assets.
- Specialised assets for which there is no market-based evidence to support the use of EUV are valued using the Depreciated Replacement Cost (DRC) basis. This applies in particular to schools.
- For property assets that are not used operationally, Fair Value equates to Market Value. This is the estimated amount for which a property should exchange between a willing buyer and a willing seller in an arm's-length transaction after proper marketing, and both parties acting knowledgeably, prudently and without compulsion.

The valuation of the Farms Estate at 31 March 2011 was carried out by David R Job MRICS, Farms Estate Shared Service Manager, Cheshire Farms Service in accordance with the statement of methodology agreed by ACES (The Association of Chief Estate Surveyors & Property Managers in Local Government.)

Vehicles, plant, furniture and equipment continue to be carried at cost, which the Council considers would not differ materially from other methods such as 'current prices where there is an active second-hand market' or 'latest list prices adjusted for the condition of the asset.'

Property, Plant and Equipment Comparative Movements 2009/10	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant and Equipment**	PFI Assets included in Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Carried at historical cost		49,289	324,597	1,602		9,750	**385,238**	
Valued as Fair Value as at:								
31 March 2011	528,117				37,453		**565,570**	31,096
31 March 2010	141,212				635		**141,847**	
31 March 2009		1,884					**1,884**	
Total Cost or Valuation	**669,329**	**51,173**	**324,597**	**1,602**	**38,088**	**9,750**	**1,094,539**	**31,096**

Componentisation

IAS16 requires all components of an asset with a significant cost in relation to the total cost of the asset to be depreciated separately. The principal distinction is between Land (no depreciation) and Buildings (depreciable). The DVS valuation certificate at 31 March 2011 provides further component analysis that will be used in depreciation calculations as from 2011/12. The main components of buildings are identified as 'main structure', 'temporary buildings and external works', and 'services and specialist equipment'.

Information on Property, Plant and Equipment (PP&E) Held

Property, Plant & Equipment owned by the Council include the following:	Number as at 31 Mar 2011
Secondary Schools	11
Primary & Nursery Schools	91
Children's Centres	8
Children's Social Care Properties	6
Special schools	4
Youth Centres	3
Social Services Establishments	29
Libraries / Museums	17
Multi-Storey Car Parks	3
Off Street Car Parks	103
Shop Mobility Centres	1
Lorry Parks	1
Caravan Site	1
Market Halls	6
Outdoor Markets	3
Traditional Public Conveniences	31
Automatic Public Conveniences	6
Cemeteries	9
Crematorium	2
Allotment sites	22
Leisure Centres and Pools	5
Leisure Centres (Joint Use)	3
Athletics Track	1
Cinema / Civic Centre	1
Theatre	1
Commercial Rented Property (Units)	31
Business Generation Centre	3
Council Administrative Buildings and Offices	11
Community Buildings	11
Civic Halls	6
Other Buildings	7
Depots and Workshops	18
Household Waste Recycling Centres (HWR)	7
Farms Estate	75
Infrastructure Assets:	
Carriageways	2,661km
Footpaths	2,055km
Bridges (over 1.5m span)	690
Street Lights	40,446
Gullies	84,715
Signs	31,573
Signals	206
In addition the Council owns various Parks, Recreation Grounds and Open Spaces (including the buildings thereon), together with land allocated for, or awaiting development and other land relating to properties listed above.	

13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

31 March 2010 £000		31 March 2011 £000
270	Rental income from investment property	323
(204)	**Direct operating expenses arising from investment property**	**(206)**
66	**Net gain/(loss)**	**117**

Note: There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarised the movement in the fair value of investment properties over the year:

2009/10 £000		2010/11 £000
17,439	**Balance at start of the year**	19,098
	Additions:	
0	Purchases	2,894
0	Construction	0
0	Subsequent expenditure	0
0	Disposals	0
3,135	Net gains/losses from fair value adjustments	91
	Transfers:	
0	To/from Inventories	0
(1,476)	To/from Property, Plant and Equipment	(2,218)
0	Other changes	(24)
19,098	**Balance at end of the year**	**19,841**

14. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets disclosure represents purchased licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority.

The Council maintains the amortisation rates applied by the predecessor authorities to their transferred assets. Amortisation periods for the transferred assets are in the range 3 to 10 years.

Intangible Assets capitalised since the formation of Cheshire East Borough Council are amortised over 3 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £109,030 charged to revenue in 2010/11 was charged to the Services identified as users of the assets.

The movement on Intangible Asset balances during the year is as follows:

2009/10 £000		2010/11 £000
	Balance at start of the year	
747	• Gross carrying amounts	747
(607)	• Accumulated Amortisation	(689)
140	**Net carrying amount at start of year**	**58**
0	Additions: Purchases	133
	Assets Reclassified from VPE:	
0	• Cost	302
0	• Accumulated Amortisation	(87)
(82)	Amortisation for the period	(109)
58	**Net carrying amount at end of year**	**297**
	Comprising:	
747	• Gross carrying amounts	1,182
(689)	• Accumulated Amortisation	(885)
58		**297**

No individual items of capitalised software are considered to be material to the Financial Statements.

15. Assets Held for Sale

	Current		Non-Current	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Balance outstanding at start of year			976	1,156
Assets newly classified as held for sale:				
• Property, Plant and Equipment			180	
• Intangible Assets				
• Other assets/liabilities in disposal groups				
Revaluation losses				
Revaluation gains		35		
Impairment losses				
Assets declassified as held for sale:				

	Current		Non-Current	
	2009/10	2010/11	2009/10	2010/11
• Property, Plant and Equipment				
• Intangible Assets				
• Other assets/liabilities in disposal groups				
Assets sold		(976)		
Transfers from non current to current		1,156		(1,156)
[Other movements]				
Balance outstanding at year-end	**0**	**215**	**1,156**	**0**

16. Capital Expenditure and Capital Financing

The following reconciles capital financing requirements with capital expenditure incurred and financed in year:

2009/10 £000		2010/11 £000
	Capital Investment	
	<u>Property Plant and Equipment</u>	
7,371	Operational Land and Buildings	21,951
13,420	Vehicles, Plant and Equipment	10,944
37,342	Infrastructure	24,026
19,974	Assets under Construction	6,486
1,528	Investment Properties	2,894
0	Intangible Assets	133
79,635	**Total Capitalised Expenditure**	**66,434**
0	Loans transferred to Long Term Debtors	605
6,742	Revenue Expenditure Funded from Capital under Statute	5,604
86,377	**TOTAL Financed from Capital Resources**	**72,643**
	Sources of Finance	
(12,474)	Capital Receipts	(16,367)
(50,762)	Government Grants and Other Contributions	(37,610)
	Sums set aside from revenue	
(1,100)	Direct Revenue Contributions	(104)
(22,041)	Amount to be met from borrowing	(18,562)
(86,377)		**(72,643)**

17. Significant Commitments Under Capital Contracts

The value of significant commitments under capital contracts, where amounts of greater than £0.5m are contracted to be paid after 31 March 2011, totals £19.7m. These contracts are all fully funded and are summarised as follows:

Capital Project	Contract Total £000	Amount Paid Contract Up To 31 March 2011 £000	Balance £000
Places:			
Queens Park, Crewe	6.622	5,617	1,005
Alderley Edge By Pass	54,662	42,974	11,688
A523 Bosley	829	69	760
Connect 2 Phase 2	865	289	576
Poynton Revitalisation	3,620	1,642	1,978
Macclesfield Crematorium	800	48	752
	67,398	**50,639**	**16,759**
People			
Sandbach United Football Project	1,750	231	1,519
Alsager High School Performing Arts Building	954	219	735
Malbank School & Sixth Form College	890	221	669
	3,594	**671**	**2,923**
TOTAL	**70,992**	**51,310**	**19,682**

18. Impairment Losses

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 12 reconciling the movement over the year in the Property, Plant and Equipment balances.

	Property, Plant and Equipment (PPE)				
	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment (VPFE) £000	Surplus Assets £000	Assets Under Construction (AuC) £000	TOTAL PPE £000
1) Valuation certificates 31st March 2011	34,224		7,061		**41,285**
2) De-recognition of Foundation and VA schools	2,480			4,342	**6,822**
3) Elimination of redundant balances	2,044	37	(597)		**1,484**
4) Capital spend 2010/11 not creating or enhancing assets	15,145	6,349		408	**21,902**
Adjustment to prior year impairment	465				**465**
Impairment / revaluation losses per MIRS	**54,358**	**6,386**	**6,464**	**4,750**	**71,958**

1) At 31st March 2011 the Council commissioned DVS Commercial to revalue all the property assets transferred from Cheshire County Council to the new unitary authority. The revaluation

at 31st March 2010 had covered all property assets transferred from the former Districts. The 2010/11 revaluation covered approximately 70% of total transferred gross value (OLB and Surplus assets). The amount charged as impairments at 31st March 2011 is directly affected by the extent of the revaluation. The Council intends to introduce a 5-year rolling programme for revaluations as from 2011/12. Approximately 20% of property assets will be revalued each year, spreading impairment charges over 5 years.

The largest single amount in the Other Land and Buildings total of £34.2m related to Sir William Stanier Community School:

	£Ms
Enhancing spend identified as Assets under Construction (from Cheshire CC) before 31/3/2009	12.9
Enhancing spend identified as Assets under Construction in 2009/10	7.6
Enhancing spend 2010/11	0.3
Accumulated spend on Project determined as complete in 2010/11	20.8
Certified valuation of Buildings at 31/3/2011	(4.7)
Sir William Stanier Community School Valuation impairment recognised 2010/11	16.1
The impairment on the Building element was offset by a revaluation gain on the Land element	(0.8)

There were similar calculations for two other schools, each resulting in impairments of over £2m. The balance of £14m related to 32 assets, average £0.4m, generally reflecting economic conditions. Note that while the revaluation at 31st March 2011 produced downward revaluations of £41.3m for PPE, it also produced upward revaluations totalling £185.3m on other PPE assets.

2) At 1/4/2010 the Asset Register included: a Foundation and a VA school in OLB, and spend on a Foundation school in AuC. These balances have been written out as impairment / loss on disposal.

3) During the 2010/11 revaluation a number of balances (cost and accumulated depreciation) were identified as not representing a physical asset and written out. Accumulated depreciation has been written back where the Council’s accounting policy (Surplus, Investment Properties) is not to make a depreciation charge.

4) Expenditure charged to capital projects that has created or enhanced an asset is carried forward in the PPE balances. If it does not create or enhance an asset it is regarded as capital spend not adding value (CNAV) and charged to Income and Expenditure Account as 'impairment'.

19. Financial Instruments

The following categories of Financial Instruments are carried in the Balance Sheet:

31 March 2010				31 March 2011	
Long-Term £000	Current £000		Notes	Long-Term £000	Current £000
		Investments:	19 (a&b)		
1,242	39,583	Loans and Receivables		585	39,358
	2,064	Available for Sale Financial Assets			
1,242	**41,647**	**Total Investments**		**585**	**39,358**
		Debtors:	19(c&d)		
		Loans and Receivables:			
119		Mortgages		85	
2,397		Other Loans and Receivables		2.827	
	65,598	Financial Assets carried at Contract Amounts			34,486
2,516	**65,598**	**Total Debtors**		**2.912**	**34,486**
		Borrowings:	19(e)		
(137,427)		Financial Liabilities at Amortised Cost		(129,382)	(5,021)
(137,427)	**0**	**Total Borrowings**		**(129,382)**	**(5,021)**
		Other Long-Term Liabilities:	19(f)		
(23,213)		PFI Liabilities		(22,778)	
(2,827)	(1,460)	Finance Lease Liabilities		(2,292)	(1,117)
(26,040)	**(1,460)**	**Total Other Long-Term Liabilities**		**(25,070)**	**(1,117)**
		Creditors:	19(g)		
	(77,609)	Financial Liabilities at Contract Amount			(65,281)
0	**(77,609)**	**Total Creditors**		**0**	**(65,281)**

19(a). Long Term Investments

The Long Term Investments are as follows:

31 March 2010 £000		31 March 2011 £000
1,241	Heritable Bank (in administration)	584
1	Government Consolidated Stock and War Stock	1
1,242	**Total**	**585**

The investment with Heritable Bank relates to former Cheshire County Council investments of £8.5m of which a 54.27% share (£4.62m) has been inherited by Cheshire East Borough Council. Heritable Bank went into administration on 7th October 2008 and it is expected that 85% of the total amount due to the Council at that time will be received. The 15% that is not expected to be received was charged as an impairment charge in the accounts of Cheshire County Council in 2008/09. The amount shown as long term investments is likely to be received between April and October 2012. Amounts due to be received in 2011/12 are included in the Short Term Investments.

19(b). Short Term Investments

The Short Term Investments are as follows:

31 March 2010 £000		31 March 2011 £000
	Loans and Receivables:	
0	Barclays Bank	15,181
5,011	Nationwide Building Society	10,100
15,103	Lloyds TSB Bank	8,074
8,524	Santander (UK)	5,032
10,018	Royal Bank of Scotland	0
891	Heritable Bank (in administration)	957
36	Other	14
39,583	**Total Loans and Receivables**	**39,358**
	Available for Sale Financial Assets	
2,064	Investec Managed Fund - Banco Santander	0
2,064	**Total Available for Sale Financial Assets**	**0**
41,647	**Total Short Term Investments**	**39,358**

Short Term Investments represent all invested funds which are not immediately convertible to cash on 31st March 2011 but where repayment is expected before 31st March 2012. The available for sale financial assets at 31st March 2010 were part of an externally managed fund. All balances on this fund were repaid to the Council in 2010/2011.

19(c). Long Term Debtors

Long Term Debtors are as follows:

31st March 2010 £000		31st March 2011 £000
2,129	Cheshire Lifestyle Services (CLS)	2,103
11,535	Joint Assets – Cheshire East BC Share of Cheshire West and Chester Council Assets	1,892
249	Soft Loans	706
119	Mortgages (Right to Buy & Housing Act Advances)	85
16	Finance Leases	16
3	Car Loans to employees of 1 to 5 years	2
14,051	**TOTAL**	**4,804**
	Adjustment for Items not classed as Financial Instruments:	
(11,535)	Joint Assets	(1,892)
2,516	**TOTAL classed as Financial instruments**	**2,912**

The balance sheet shows all long term debtors but not all of these fall within the definition of financial instruments. Excluded are joint assets which represents the Council's interest but do not represent a contractual payment.

19(d). Current Debtors – Financial Assets carried at Contract Amounts

Current debtors are shown in the balance sheet and itemised in Note 21 to the accounts. These include amounts which are not contracted debts and are, therefore, excluded from Financial Instruments as follows:

31st March 2010 £000		31st March 2011 £000
85,925	Total Debtors and Prepayments per Balance Sheet	62,612
	Less amounts not classed as Financial Instruments:	
(1,546)	Prepayments	(1,441)
(10,415)	Council Tax and NNDR related debtors	(25,012)
(11,816)	Grants	(11,677)
(1,490)	Internal debtors	(999)
4,940	Add back Impairment and Allowances for Bad / Doubtful Debt	11,003
65,598	**TOTAL classed as Financial instruments**	**34,486**

19(e). Borrowings – Financial Liabilities at Amortised Cost

The amounts and maturity profile of borrowings are as follows:

Total 31 March 2010 £000		Lender: Public Works Loan Board £000	Lender: Banks £000	Total 31 March 2011 £000
	Short Term Borrowing			
0	Within the next financial year	5,021		5,021
0	**TOTAL short term borrowing**	**5,021**	**0**	**5,021**
	Long Term Borrowing			
0	1 – 2 years	5,021		5,021
5,247	2 – 5 years	22,934		22,934
2,625	5 – 10 years	22,594		22,594
0	10 – 15 years	0		0
8,797	15 – 20 years	12,422		12,422
22,900	20 – 25 years	13,781		13,781
18,072	25 – 30 years	2,604		2,604
79,786	More than 30 years	32,191	17,835	50,026
137,427	**TOTAL long term borrowing**	**111,547**	**17,835**	**129,382**
137,427	**TOTAL**	**116,568**	**17,835**	**134,403**

In July 2010 the opportunity was taken to restructure £50m of the PWLB debt by replacing a number of maturity loans which had an average rate of 4.22% and 32 years left to run with a new loan repayable in equal instalments over 10 years at a rate of 2.35%. The restructuring did incur net premium charges of £433,000 but, after allowing for this, savings over the next 10 years are forecast at £4.47m of which around £600,000 was achieved in 2010/2011. The restructuring exercise has brought forward the maturity profile of the PWLB debt so there is the risk that the refinancing of maturing debt will affect the forecast level of savings.

19(f). Other Long-Term liabilities

The detail of the Finance Lease liability is shown in Note 43 to these accounts.

The detail of the PFI liability is shown in Note 45 to these accounts.

19(g). Creditors – Financial liabilities at Contract Amount

Current creditors are shown in the balance sheet and itemised in Note 23 to the accounts. These include amounts which are not contracted payments and are, therefore, excluded from Financial Instruments as follows:

31 March 2010 £000		31 March 2011 £000
(104,446)	Total Short Term Creditors per Balance Sheet	(93,854)
	Add back amounts not classed as Financial Instruments:	
15,280	Receipts in Advance	11,659
140	Grants	(542)
8,932	Payroll Deductions	10,549
978	LATS	763
47	Other	6
	Add back items separately identified in Financial Instruments Note	
0	Current Borrowings Note 19(e)	5,021
1,460	Finance lease liabilities Note 19(f)	1,117
(77,609)	**TOTAL classed as Financial instruments**	**(65,281)**

Long term creditors included in the balance sheet relate to shared assets with Cheshire West and Chester Council which were settled in 2010/11. These are not contracted payments and have, therefore, been excluded from Financial Instruments.

31 March 2010 £000		31 March 2011 £000
4,618	Joint Assets – Cheshire West and Chester Council share of Cheshire East BC Assets	0
4,618	**TOTAL**	**0**
	Adjustment for Items not classed as Financial Instruments:	
(4,618)	Joint Assets – Cheshire West and Chester Council share of Cheshire East BC Assets	0
0	**TOTAL**	**0**

19(h). Fair Values of Assets and Liabilities

The fair value of financial assets at 31st March 2011 represents the amount that would need to be invested on 31st March 2011 at rates of interest prevailing on that date for the period up until the existing amounts are due to mature/be repaid to the Council which would generate an amount equal to that the Council is currently due to receive from its existing deposits.

31 March 2010			31 March 2011	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
		Assets		
40,825	40,760	Loans and Receivables	39,943	39,629
2,516	2,516	Long Term Debtors	2,912	2,912

The only instances where the fair value of the financial assets held differed from their carrying value was in respect of a small number of money market deposits that were due to mature at various dates in 2011-12. Money markets rates at 31st March 2011 had not changed significantly from those applicable at the time the loans were made. The fair values are lower to reflect the lower rates applicable to the remaining periods of each loan.

Available for sale financial assets were carried in the balance sheet at their fair value in 2009/10.

Trade Debtors are all due immediately so the fair value is assessed as being equal to the carrying value in the balance sheet. Similarly, mortgages and other loans which make up the Long Term Debtors are repayable at market rates so the fair value is assessed as equal to the carrying value.

The fair value of the financial liabilities represents the amount of loans that could be raised on 31st March 2011 which would give rise to the same profile of interest payments and principal repayments as those the Council is committed to under its existing loan agreements. This is based on the PWLB repayment rates and market (LOBO) loan swap rates.

31st March 2010			31st March 2011	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
		Liabilities		
137,247	140,739	Financial Liabilities	134,403	141,286
26	26	Long Term Creditors	25	25

The market value of total borrowings was higher than their carrying value as at 31 March 2011. This is a result of the Council having all fixed rate loans within its portfolio which, although generally at lower rates than new borrowings, are at higher rates than the repayment rates prevailing at 31 March 2011.

Trade creditors are all due immediately so the fair value is equal to the carrying value in the balance sheet.

19(i). Income, Expense, Gains and Losses

31st March 2010						31st March 2011				
Financial Liabilities measured at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	TOTAL £000		Financial Liabilities measured at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	TOTAL £000
7,936				**7,936**	Interest Expense	7,741				**7,741**
				0	Losses and De-Recognition					**0**
				0	Reductions in Fair Value					**0**
	(290)			**(290)**	Impairment Losses					**0**
				0	Fee Expenses	18		3		**21**
7,936	**(290)**	**0**	**0**	**7,646**	**Total Surplus or Deficit on the Provision of Services**	**7,759**	**0**	**3**	**0**	**7,762**
	(1,109)	(232)		(1,341)	Interest Income		(964)	(108)		(1,072)
	(159)			(159)	Interest Income Accrued on Impaired Financial Assets		(109)			(109)
				0	Increases in Fair Value					0
				0	Gains on De-recognition					0
				0	Fee Income					0
0	**(1,268)**	**(232)**	**0**	**(1,500)**	**Total Income in Surplus or Deficit on the Provision of Services**	**0**	**(1,073)**	**(108)**	**0**	**(1,181)**
		(186)		(186)	Gains on Revaluation					0
		70		70	Losses on Revaluation			24		24
				0	Amounts Recycled to the Surplus or Deficit on the Provision of Services after Impairment					0
0	**0**	**(116)**	**0**	**(116)**	**Surplus/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure**	**0**	**0**	**24**	**0**	**24**
7,936	**(1,558)**	**(348)**	**0**	**6,030**	**Net Gain/(Loss) for the Year**	**7,759**	**(1,073)**	**(81)**	**0**	**6,605**

19(j). Premiums and Discounts on the Early Repayment of Debt

There are two ways in which premiums and discounts are treated in the accounts. Where the loan falls under the terms of a loan modification any premium or discount arising needs to be subtracted or added to the carrying value of the replacement loan and charged or credited to the Income & Expenditure Account over the life of the replacement loan by using the loans effective rate of interest. The Council does have some PWLB loans which have been modified in previous years. The premiums and discounts associated with these loans are included in the interest payable figure reported in the accounts due to the use of the effective rate of interest.

Where the premiums and discounts arise from the extinguishment of a loan then they should be charged or credited to the Income & Expenditure Account in the year in which they are incurred. However, to avoid a detrimental impact to the Council Tax Payer and in line with the intention of any restructuring related to the loan extinguishment, the premiums or discounts can be held in the Financial Instruments Adjustment Account and charged or credited to the Council Fund over a period of time. The time scale for the charging or crediting of premiums and discounts is dependent on the accounting policy in place in the year they arise.

The PWLB loans that were restructured in July 2010 incurred a premium charge of £1.26m and a discount credit of £0.83m. These are being charged / credited to the accounts over 10 years which is the life of the replacement loan. Whilst premiums could have been charged over a longer period representing the life of the loans that were repaid, this is the maximum period in which discounts can be credited to the Council Fund. The net charge in 2010/11 is £51,700 which includes net premiums and discounts of £19,300 relating to loans restructured in previous years.

19(k). Risks Faced by the Council as a Result of its use of Financial Instruments

The identification, understanding and management of risk are, by necessity, a major part of the Council’s treasury management activities. To avoid the Council suffering loss as a result of its treasury management activities, a number of risk management procedures have been put in place. Their purpose is to manage the risks arising from the use of financial instruments down to acceptable and agreed levels.

These procedures are based on the concept that, firstly, security of principal is paramount, secondly that there is a need to maintain liquidity and finally, earning a rate of return commensurate with the first two concepts.

The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services. The management of the risks associated with the use of financial instruments is undertaken by a central treasury management team. This team works within an annual Treasury Management Strategy that is approved by Full Council prior to the start of the year. This Treasury Management Strategy provides written principles for both overall risk management and for specific risk areas such as liquidity risk, interest rate risk and credit risk.

The Council has adopted CIPFA’s ‘Treasury Management in the Public Sector: Code of Practice’. It has also set treasury management indicators in accordance with CIPFA’s ‘Prudential Code for Capital Finance in Local Authorities’.

Liquidity risk

Liquidity risk is the risk that the Council will not have sufficient cash resources to meet its obligations to its creditors and employees as they fall due for payment.

Being a local authority, the Council is able to raise loans from the Public Works Loans Board. Consequently, it is highly unlikely that the Council will be unable to raise new or replacement loans or that it will be unable to raise new loans at a cost that is linked to the cost of central government borrowing.

There is a risk, however, that the Council may be in a position where it may need to raise replacement long term loans at a time of unfavourable interest rates. To manage this risk consideration is given to the maturity profile of maturing loans whilst recognizing the potential for interest rate movements and debt rescheduling opportunities. The Council's borrowings and maturity profile are shown in Section E to this note (Borrowings – Financial liabilities at Amortised Cost).

Within its long term loans portfolio, the Council has 3 Lender Option Borrower Option (LOBO loans) with a nominal value of £17 million. The nature of these loans is that on specified agreed dates the lender has the option to change the rate of interest charged on the loan, providing that 3 working days notice is given to the borrower. Where this option is exercised, the borrower has the option of repaying the loan in full, and without penalty, at the end of the 3 day notice period, or agreeing to pay the new amended rate of interest.

The Council keeps a register of all the dates on which a lender has an option to change the rate of interest payable on a LOBO loan. The potential repayment of the LOBO loan on these dates is taken into account in deciding on the level of available cash balances that the Council needs to hold at various times throughout the year.

Market risk

Market risk is the risk that, the Council will fail to get good value from the investment of its surplus cash balances or its raising of long term loans.

Market risk arises as a result of interest rate movements and the Council's inflows of income not exactly matching its outflows of expenditure.

Movements in interest rates impact on the Council in a number of ways. Furthermore, movements in long term interest rates (rates for periods in excess of 5 years) can have a different impact to movements in short term interest rates (for periods of less than 5 years).

An increase in short term interest rates will have the following impact:

- The interest payable / charged to the income and expenditure on borrowings at variable rates of interest will rise;
- The fair value of borrowings at fixed rates of interest due to mature in the next five years will fall;
- The interest earned / credited to the income and expenditure account on loans and receivables at variable rates of interest will rise.

An increase in long term interest rates will have the following impact:

- The fair value of borrowings at fixed rates of interest due to mature in more than five years time will fall. The fall in fair value for an individual borrowing will be greater the longer the borrowing has to run until it matures.

Borrowings are recorded in the Council's Statement of Accounts on the amortised cost basis. The fair value of borrowings is shown only as a note to the accounts. Any increases or falls in the value of fixed rate borrowings as a result of changes in interest rates will therefore be nominal and will have no impact on either the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses.

Changes in the amount of interest payable on variable rate borrowings and the amount of interest receivable on variable rate investments will be charged / credited to the Income and Expenditure Account.

Movements in the fair value of available for sale assets will be reflected in the Statement of Total Recognised Gains and Losses and recorded in the Available for Sale Reserve until such time as the asset is sold. At that time any gains / losses held in the Available for Sale Reserve in respect of that asset will be transferred to the Income and Expenditure Account.

The Council will seek to manage its exposure to fluctuations in interest rates with the aim of minimising the net cost of interest charged to the Income and Expenditure Account over the medium to long term. This will be achieved through the prudent use of approved financing and investment instruments, methods and techniques.

In seeking to minimise the net cost of interest charged to the Income and Expenditure Account over the medium to longer term one of the aims will be to create stability in, and certainty of, interest costs and revenues. However, the Council also acknowledges that it will need to retain a degree of flexibility sufficient to allow it to take advantage of unexpected and potentially advantageous changes in the level or structure of interest rates.

Market rate risk is lessened by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates, or the Authority's cost of borrowing, and provides some compensation for a proportion of any higher costs.

If during 2010/11 and at 31st March 2011 short term and long term interest rates had been 1% higher than they actually were and all other circumstances been the same, then the financial effect would have been:

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable	(935)
Net Impact on Income & Expenditure Account	**(935)**
Reduction in the Fair Value of fixed rate borrowing	(16,371)
Reduction in the Fair Value of loans and receivables (investments)	(98)

Credit Risk

Credit risk is the risk that the Authority will not be repaid in full when it lends out monies to other banks and financial institutions (counterparties).

The Council manages this risk by ensuring that investments are placed with Banks and Building Societies, other Local Authorities or the Debt Management Office which have sufficiently high credit worthiness as set out in the Treasury Management Strategy. Limits on the amount of money that can be invested with any single counterparty or group are set individually (for most UK counterparties the maximum limit is £20m). There are a range of credit ratings issued by 3 different credit rating agencies but broadly speaking they can be categorised as:

AAA – Highest credit quality with the lowest expectation of default risk and exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA – Very high credit quality with a very low expectation of default risk and very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A – High credit quality with a low expectation of default risk and a strong capacity for payment of financial commitments. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

Each of these ratings has a number of sub-categories within them which differs between the different credit rating agencies; e.g. ‘A’ can be subdivided where A+ will be a stronger credit rating than A-. It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations, and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council’s Treasury Management Strategy Statement for 2010/11.

The minimum criteria for investments now stands at a minimum long term rating (lowest common denominator approach) of A+. All UK counterparties are also deemed to be systemically important to the UK Banking System, after being named as Eligible Institutions under the Credit Guarantee Scheme (CGS) in October 2008. The one exception to this criteria is the inclusion on the list of counterparties the Co-operative Bank (rated A-) to which the Council is exposed on a daily basis as they hold the main clearing accounts of the Council. Investments with the Co-operative Bank are limited to instant access call accounts with a maximum value of £10m.

The analysis below excludes deposits held with Heritable Bank in administration (£1.541m) but includes instant access funds (£28.386m) which are classified in the accounts as cash equivalents. This summarises the Council’s potential maximum exposure to credit risk, based on the market experience of default and non-recovery over the last five financial years, adjusted to reflect current market conditions:

	Amount deposited at 31 March 2011 £000	Historical experience of default %	Estimated maximum exposure to default £000
Investments Loans and Receivables:			
Banks – UK			
AAA	-	-	-
AA	27,614	0.02	6
A	9,909	0.10	10
Building Societies			
A	10,100	0.10	10
Money Market Funds			
AAA	19,164	-	-
Debtors:			
Trade Debtors	18,045	0.56	101
Other Debtors	16,441	0.56	92
TOTAL	**101,273**		**219**

No credit limits were exceeded during the year and given the cautious approach adopted in selecting suitable counterparties the Council does not expect any losses in respect of investments.

The debtors figures exclude any Council Tax and Business Rates debtors which are dealt with separately in the Collection Fund Accounts. Also excluded are any non-trade debtors. The Council generally allows its trade debtors credit of 1 month. Of the £18.05m invoiced income outstanding from trade debtors, £8.18m is past its due date for payment which is analysed by age as follows:

Age of Invoiced Debt	£000
Less than 3 months overdue	2,318
3 to 6 months overdue	599
6 months to 1 year overdue	1,897
More than 1 year overdue	3,363
TOTAL	**8,177**

19(l). Soft Loans

These are loans which have been granted either without interest payable or with interest payable at below market levels. The value of the loan is shown within long term debtors and represents the amount outstanding after adjusting for interest calculated at market rates and any repayments.

31st March 2010 £000		31st March 2011 £000
218	Congleton Town Hall	306
31	Foster Family	26
-	Housing – Assisted Purchase Scheme	262
-	Housing – Private Sector Assistance	112
249	**TOTAL**	**706**

19(m). Developer Contributions Section 106 and 278

Section 106 receipts are monies paid to the Council by developers as a result of the granting of planning permission, for example, where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer.

Section 278 deposits are cash deposits received as a surety against works to be completed on the Highway by a third party. Upon completion of the works, satisfactory inspection of the works by a Highways Engineer and the completion of a maintenance period the deposits are released back to the contributor with interest calculated at the relevant 7 day LIBID rates. These balances are reported within the Current Liabilities - Creditors section of the Balance Sheet. At 31 March 2011 Section 278 receipts total £0.55m, and Section 106 receipts total £4.81m.

20. Inventories

	Balance as at 1 April 2010 £000	Purchases £000	Recognised as an expense in the year £000	Written Off Balances £000	Reversal of Write-offs in previous year £000	**Balance as at 31 March 2011 £000**
Libraries	5		5			**0**
Leisure Services	41	106	107			**40**
Cultural Services	20	101	101			**20**
Cheshire East Catering Service	130	2,753	2,813			**70**
Engineering Salt	26	370	269			**127**
Tatton Park Shop - Trading	99	290	293			**96**
Transport Co-ord						**0**
Concessionary travel railcards, bus passes	190	173	156			**207**
Depot Stores (Excl Fuel)	17	(1)	16			**0**
Fuel Stores	84	1,227	1,251			**60**
Street Cleansing	13		6			7
Memorial Items for Resale	39	3	7			35
ICT	16	289		15		**290**
Depot Stores	6					**6**
Office Services	16					**16**
Printing and Graphics	11					**11**
Caretaking and Cleaning	14		8			**6**
Central Administration						**0**
Civic Office						**0**
Customer Services	16	12	8			**20**
TOTAL	**743**	**5,323**	**5,040**	**15**	**0**	**1,011**

21. Short Term Debtors

The Authority's short term debtors are summarised as follows:

31 March 2010 £000		31 March 2011 £000
73,832	Sundry revenue debtors	57,573
2,178	Capital debtors	1,925
1,616	Grant debtors – revenue	8,148
10,200	Grant debtors – capital	3,529
1,546	Prepayments	1,441
1,490	Landfill Allowances Trading Scheme (LATS)	999
(4,940)	Impairment and allowance for bad and doubtful debts	(11,003)
85,922	**TOTAL short term debtors**	**62,612**

Included within the sundry revenue debtors at 31 March 2011 is £18.05m relating to invoiced trade debtors. Further information and an age profile of overdue invoiced debt is included in Note 19(k).

As at 31 March 2011, total short term debtors are analysed across the following counterparties:

31 March 2010 £000		31 March 2011 £000
	Central government bodies	32,815
	Impairment	(1,229)
	Central government bodies net of Impairment	**31,586**
	Other local authorities	7,340
	Impairment	(26)
	Other local authorities net of Impairment	**7,314**
	NHS bodies	1,812
	Impairment	-
	NHS bodies net of Impairment	**1,812**
	Public corporations and trading funds	161
	Impairment	-
	Public corporations and trading funds net of Impairment	**161**
	Other entities and individuals	31,486
	Impairment	(9,748)
	Other entities and individuals net of Impairment	**21,738**
85,922	**TOTAL short term debtors**	**62,612**

22. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2010 £000		31 March 2011 £000
675	Cash held by the Authority	527
(6,394)	Bank current accounts	(2,548)
50,604	Instant access investments	28,386
44,885	**TOTAL cash and cash equivalents**	**26,365**

23. Short Term Creditors

The Authority's short term creditors are analysed as follows:

31 March 2010 £000		31 March 2011 £000
(71,888)	Sundry revenue and grant creditors	(65,578)
(7,284)	Capital and capital grant creditors	(2,679)
(7,557)	Employee benefit accrual	(7,038)
0	Loans repayable within 12 months	(5,021)
(1,459)	Finance lease payments due within 12 months	(1,117)
(978)	Landfill Allowances Trading Scheme (LATS)	(763)
(89,166)	**Amounts falling due within 12 months**	**(82,196)**
(12,298)	Revenue and revenue grants received in advance	(11,497)
(2,982)	Capital and capital grants received in advance	(162)
(15,280)	**Amounts received in advance**	**(11,659)**
(104,446)	**TOTAL short term creditors**	**(93,855)**

Sundry revenue creditors include £10.5m of payroll-related creditors:

- £5.9m relating to Income Tax and National Insurance contributions payable to HM Revenue & Customs (£5.9m in 2009-10)
- £1.7m relating to superannuation contributions payable to Teachers Pensions (£1.7m in 2009-10)
- £2.9m relating to superannuation contributions payable to the Local Government Pension Scheme((£2.9m in 2009-10)

Short term creditors at 31 March 2011 relate to the following counterparties:

31 March 2010 £000		31 March 2011 £000
	Central government bodies	(20,252)
	Other local authorities	(23,347)
	NHS bodies	(543)
	Public corporations and trading funds	(262)
	Other entities and individuals	(49,451)
(104,446)	**TOTAL short term creditors**	**(93,855)**

24. Provisions

Provision	Balance at 1 April 2010 £000	Additional provisions made in 2010/11 £000	Amounts used in 2010/11 £000	Unused amounts reversed in 2010/11 £000	Unwinding of discounting in 2010/11 £000	Balance at 31 March 2011 £000
Insurance Provision	5,993		(1,525)			4,468
Single Status Provision	524	153				677
Early Retirement Provision	3,059		(2,904)			155
Other Provisions:						
Highways Schemes	470			(65)		405
Section 117	84					84
Public Health Drainage	26					26
Domestic Violence Family Support Unit	15					15
Asset Recovery Scheme	7	22				29
Safer & Stronger Communities	5					5
TOTAL	**10,183**	**175**	**(4,429)**	**(65)**	**0**	**5,864**

24 (a). Insurance Provision

Cheshire East Borough Council has large excess levels on its external insurance policies and is therefore required to meet the cost below the excess arising from claims in respect of fire and consequential loss, public and employers' liability, and vehicles. An Insurance Fund has been established to meet these potential costs, with annual contributions being charged to the Comprehensive Income and Expenditure Statement.

In accordance with latest accounting practice, the Fund as at 31st March 2011 has been analysed into a provision (amounts required for reported claims) and a reserve (estimates for future claims not yet reported). The amounts set aside are based on estimates from the actuary and an independent actuarial review will be carried out every three years to review the level of the amounts set aside in both the provision and reserve.
Employer and Public Liability claims are "long tailed" in nature and can span a number of years, particularly if the case goes to litigation. Motor and property claims are typically settled within 1 to 2 years.

The figures below relate to the Cheshire East Borough Council (inclusive of the former Districts) provision, i.e. the estimated settlement costs of claims received at the balance sheet date:

2009/10 £000		2010/11 £000
-	**Balance of Provision Brought Forward**	**1,125**
	Less claims paid during the year:	
(105)	Property	(23)
(67)	Public Liability	(220)
-	Employer's Liability	(49)
(78)	Motor	(246)
1,326	Additional Contribution from Revenue	-
49	Transfer from / (to) Insurance Reserve	1,175
1,125	**Balance at 31 March**	**1,762**

Following the Local Government Reorganisation of 2008-09, Cheshire East Borough Council is now managing the run-off claims relating to the former Cheshire County Council on behalf of Cheshire West and Chester Council as well as Cheshire East Borough Council. The insurance fund has therefore been transferred to Cheshire East Borough Council to administer these claims.

The former Cheshire County Council was required to meet a proportion of the cost arising from claims, which is not covered by insurance in respect of fire and consequential loss, public and employers' liability, and vehicles. An Insurance Fund was established to meet these potential costs, with annual contributions being charged to the revenue account.

In accordance with latest accounting practice, the Fund as at 31 March 2011 has been analysed into a provision (amounts required for reported claims) and a reserve (estimates for future claims not yet reported). An independent actuarial review is carried out every three years to review the level of the amounts set aside in both the provision and reserve.

The figures below relate to the former Cheshire County Council provision, i.e. the estimated settlement costs of claims received at the balance sheet date:

2009/10 £000		2010/11 £000
7,565	**Balance of Provision Brought Forward**	**4,868**
	Less claims paid during the year:	
(117)	Property	-
(1,369)	Public Liability	(870)
(610)	Employer's Liability	(391)
(70)	Motor	**(30)**
(531)	Transfer from Insurance Reserve	**(871)**
10	Interest accrued on the Fund	**23**
(10)	Interest paid to CWAC & CEC	(23)
4,868	**Balance at 31 March**	**2,706**

The interest earned for 2010-11 was £22,990 with £10,456 due to Cheshire West and Chester. Cheshire East's share of £12,534 is included within the revenue account.

24 (b). Single Status Provision

£0.5m was charged to the accounts in 2009-10, and a further £0.2m has been charged to the accounts in 2010-11. However, accounting practice allows these costs to be carried forward in an Equal Pay Back Pay Reserve until such time as payment is actually made. It is anticipated that all costs will be incurred in the next 12 months.

The balance on the Single Status provision is as follows:

2009/10 £000		2010/11 £000
-	**Balance of Provision Brought Forward**	**524**
524	Additional Contributions	153
-	Payments made during year	-
524	**Balance at 31 March**	**677**

24 (c). Early Retirement Provision

An early retirement provision was created to meet the actuarial costs of early retirements paid over to the Pension Fund over five years, but which were charged to the revenue account over different periods. The movement on this provision in 2010-2011 is shown below:

2009/10 £000		2010/11 £000
704	**Balance of Provision Brought Forward**	**3,059**
-	Paid over to Pension Fund	(2,904)
2,355	Additional Provision	-
3,059	**Balance at 31 March**	**155**

24 (d). Other Provisions

Highways Schemes Provision

The Highways Schemes Provision has been created to meet the potential costs in relation to noise, disturbance and contractors claims in respect of major highways schemes. The provision for the Wagon and Horses scheme was written back to balances in 2010-11**.** The schemes now covered are Handforth Bypass and Crewe Green Link Road. The claim period for Crewe Green Link Road scheme is up to November 2011 and there is a potential claim outstanding in relation to the Handforth Bypass scheme.

Section 117 Provision

This provision has been created to meet known liabilities for payments to individuals who have been discharged from hospital under s117 of the Mental Health Act. The timing of payments is uncertain as it depends on whether or not the individuals need to pay for aftercare services.

Public Health Drainage Provision

This provision holds sums set aside for the planned programme of maintenance on septic tanks linked to former district housing stock.

Domestic Violence Family Support Unit – Exit Strategy

This provision is a contingency against future exit costs and is sufficient to cover any potential redundancy costs. There is no indication at present that this partnership will cease.

Asset Recovery Scheme Provision

This provision has been created to hold funding received from the Home Office under its Asset Recovery Scheme. Under the scheme, monies confiscated as the proceeds of crime, are redistributed back to front line agencies, with specific conditions on use. The creation of the provision recognises the ongoing liability of the Council to either use the funds for qualifying expenditure or to refund the balance of unspent monies to the Home Office.

Safer & Stronger Communities Provision

This provision relates to a contribution to a Community Safety capital scheme.

25. Usable Reserves

This Note lists those reserves that contain resources that the Council can apply to the provision of services, either by incurring expenses or undertaking capital investment; whether or not there are particular restrictions on exactly what the resources can be applied to. Relevant reserves include the Capital Reserve, General Fund Balance, and any earmarked reserves under the General Fund umbrella.

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement, the Adjustments between Accounting Basis and Funding Basis under Regulations Note 5, and the Transfers to/from Earmarked Reserves Note 7

1st April 2009 £000	31st March 2010 £000	Usable Reserves	31st March 2011 £000
36,746	32,687	Capital Reserve	22,542
164	110	Capital Receipts Deferred	94
6,957	21,967	Capital Grants Unapplied	25,606
22,907	10,224	General Reserve – Borough Fund	12,527
		Earmarked Reserves:	
7,056	8,221	Revenue Grants Reserve	2,976
758	118	Carry Forwards by Service Managers	160
853	2,269	Insurance Reserve	3,591
0	2,000	Invest to Save Reserve	1,093
0	512	LATS Trading Account Reserve	235
2,175	205	LPSA Reserve	12
515	892	PFI Equalisation Reserve	892
8,021	8,657	School Balances	9,975
0	2,371	Voluntary Redundancy Reserve	0
0	650	Regeneration Reserve	483
0	625	Enabling Local Working Reserve	625
12,553	5,797	Other Earmarked Reserves	4,357
98,705	**97,304**	**TOTAL Usable Reserves**	**85,168**

25(a). Capital Reserve

The Capital Reserve exists to finance capital projects and is maintained by receipts from the sale of land and buildings and by contributions from revenue.

During 2010-11, £17.0m from the Reserve was used to finance capital expenditure. This was partly funded from the balance transferred by the predecessor authorities, partly from capital receipts and transfers in from other Reserves during the year.

Transfers In included:

- Capital receipts of £7.7m were generated during 2010-11.

The 2010-11 closing balance on the Reserve was £22.5m and the movements in year are summarised below:

31t March 2010 £000		31st March 2011 £000
36,746	**Balance Brought Forward**	32,687
5,505	Usable capital receipts	7,698
42,251		**40,385**
(13,333)	Amount used to finance capital spending	(17,039)
	Appropriations (from) / to:	
965	- LPSA Reserve	0
250	- Income and Expenditure Account	0
2,554	- Other Reserves	(804)
3,769		**(804)**
32,687	**TOTAL Capital Reserve**	**22,542**
	Representing:	
28,935	Usable Capital Receipts	21,872
3,752	Other Monies	670
32,687	**Balance at 31 March**	**22,542**

25(b). General Reserves – Borough Fund

The Borough Fund is the main fund of the Council to which all revenue receipts are credited and from which all revenue liabilities are discharged; all such transactions are recorded in the Council's Income and Expenditure Account. The increase of £2.3m in the Borough Fund during 2010-11 represents the surplus of income over expenditure for those items required to be financed from Council Tax.

25(c) Capital Receipts Deferred

The Capital Receipts Deferred Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10 £000		2010/11 £000
164	**Balance at 1 April**	110
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(54)	Transfer to the Capital Receipts Reserve upon receipt of cash	(16)
110	**Balance at 31 March**	**94**

25(d). Carry Forwards by Service Managers

Funds carried forward for specific purposes by Service Managers at the end of 2010-11 totalled £0.2m.

25(e). Insurance Reserve

Cheshire East Borough Council has large excess levels on its external insurance policies and is therefore required to meet the cost below the excess arising from claims in respect of fire and consequential loss, public and employers' liability, and vehicles. An Insurance Fund has been established to meet these potential costs, with annual contributions being charged to the revenue account.

In accordance with latest accounting practice, the Fund as at 31st March 2011 has been analysed into a reserve (estimates for future claims not yet reported). The amounts set aside are based on estimates from the actuary and an independent actuarial review will be carried out every three years to review the level of the amounts set aside in both the provision and reserve.

Employer and Public Liability claims are "long tailed" in nature and can span a number of years, particularly if the case goes to litigation. Motor and property claims are typically settled within 1 to 2 years.

The insurance reserve below represents the sum held to cover potential further claims relating to the 2010-11 policy year coming to light in future years. The balance as at 31 March 2011 was £1,608k.

2009/10 £000		2010/11 £000
50	**Balance of Reserve Brought Forward**	1,038
936	Transfer from / (to) Insurance Reserve	(1,175)
	Transfer from / (to) Insurance Reserve	1,640
52	Transfer from Insurance Reserves (re DSG)	
	Appropriation to/(from) Comprehensive Income & Expenditure Account	104
1,038	**Balance at 31 March**	**1,608**

Following the Local Government Reorganisation of 2008-09, Cheshire East Borough Council is now managing the run-off claims relating to the former Cheshire County Council on behalf of

Cheshire West and Chester as well as Cheshire East Borough Council. The insurance fund has therefore been transferred to Cheshire East Borough Council to administer these claims.

The former Cheshire County Council was required to meet a proportion of the cost arising from claims, which is not covered by insurance in respect of fire and consequential loss, public and employers' liability, and vehicles. An Insurance Fund was established to meet these potential costs, with annual contributions being charged to the revenue account.

In accordance with latest accounting practice, the Fund as at 31 March 2011 has been analysed into a reserve (estimates for future claims not yet reported). An independent actuarial review is carried out every three years to review the level of the amounts set aside in both the provision and reserve.

The interest earned for 2010-11 was £22,990 with £10,456 due to Cheshire West and Chester. Cheshire East's share of £12,534 is included within the Comprehensive Income and Expenditure Statement.

The insurance reserve below represents the sum held to cover potential further claims. The balance on the reserve as at 31 March 2011 was £1.983m.

2009/10 £000		2010/11 £000
803	**Balance of Reserve Brought Forward**	1,231
531	Transfer to Insurance Provision	871
(52)	Transfer from Insurance Reserves (re DSG)	
(51)	Transfer surplus to General Reserves	
	Appropriation to/(from) comprehensive Income & Expenditure account	(119)
1,231	**Balance at 31 March**	**1,983**

25(f). Invest to Save Reserve

This reserve has been established to help fund the up front costs of Invest to Save initiatives. In 2010-11, £0.9m was appropriated to the revenue account to fund service expenditure, leaving a balance of £1.1m for further initiatives.

25(g). Landfill Allowances Trading Account

This reserve holds the carried forward unused landfill allowances to be used to offset future years' landfill usage. The movement on the reserve takes account of the difference between the annual allowance and the Council's in-year liability, and the revised valuation of allowances held. The balance on the reserve is £235,000

25(h). Local Public Service Agreement Reserve

Local Public Service Agreements (LPSAs) form a Government initiative whereby demanding performance targets are set to deliver real improvements for local people through partnership working. Success attracts Performance Reward Grant (PRG).

LPSA 1 ended in March 2005, and LPSA 2 ended in March 2008. In order to enable the delivery of targets to continue beyond the period of the original agreement, sums were earmarked for use by services over two years (2009-10 and 2010-11). The majority of the balance on the reserve at 1 April 2010 has been returned to general funds in 2010-11, leaving a balance of £12,000 on the reserve.

25(i). PFI Equalisation Reserve

As at 31 March 2011 the Council had one Private Finance Initiative (PFI) project in operation relating to Extra Care Housing. The scheme commenced in January 2009 and has a reserve of £0.892m. The scheme is being led by Cheshire East on behalf of itself and Chester West and Chester Council. Cheshire East is the lead as it has 60% of the rental units that are funded by the PFI Special grant outlined below.

The purpose of the Reserve is to smooth out timing differences over the 30 year period of each PFI agreement. These relate to timing differences between the receipt of funds by the Council (in the form of PFI Special Grant, which is a fixed annual amount received from Central Government for the capital element of the scheme) and the amounts released by the Council towards the monthly Unitary Payments. The Reserve has been left untouched during 2010/11 as the timing of transactions (grants received and unitary payment made) coupled with very low interest rates means there isn't any in year surplus to be invested. Any surplus balances in the reserve are invested and carried forward to cover the projected deficits in future years, with the Reserve ultimately balancing to zero when the agreement ends.

PFI Special Grant "credits" for the Council's Waste Treatment Project and also a second wave of Extra Care Housing were withdrawn by Central Government as part of the Comprehensive Spending Review in the autumn of 2010.

2009/10 £000		2010/11 £000
515	**Balance Brought Forward**	892
2,482	PFI Special Grant	4,125
(2,106)	Contributions towards Unitary Payments	(4,125)
1	Interest Earned	0
892	**Balance at 31 March**	**892**

25(j). Reserves and Balances Held by Schools under Delegated Schemes

The funding framework for schools is laid down in the Schools Standards and Framework Act 1998. Unspent budgets that have been delegated remain at the disposal of the school, even though they are still reserves held by the Authority. In effect, these unspent balances represent a special form of reserve that is not available to the Council to use. It is a statutory earmarked reserve. As at 31 March 2011, the accumulated underspend on schools budgets was £10m.

25(k). Voluntary Redundancy Reserve

This reserve was created to fund the costs of voluntary redundancies occurring in 2009-10 and 2010-11. During the year £1.5m was transferred to the reserve from general balances. The reserve has been applied in full to meet the costs of voluntary redundancies approved in 2010-11.

25(l). Regeneration Reserve

This reserve holds funds to support town centres and economic recovery initiatives.

25(m). Enabling Local Working Reserve

This reserve represents funding to meet interim or transition costs related to the devolution or transfer of services from Cheshire East Borough Council to town and parish councils. There were no movements on the reserve in 2010-11.

25(n). Other Earmarked Reserves

A number of other earmarked reserves are held. These are listed on the Transfers to/from Earmarked Reserves Note 7.

26. Unusable Reserves

This note lists those reserves that the Council is not able to utilise to provide services.

1st April 2009 £000	31st March 2010 £000		31st March 2011 £000
13,264	49,294	Revaluation Reserve Note 26(a)	229,364
156	(24)	Available for Sale Financial Instruments Reserve Note 26(b)	0
523,224	520,437	Capital Adjustment Account Note 26(c)	480,063
(768)	(768)	Financial Instruments Adjustment Account Note 26(d)	(1,384)
(304,281)	(600,536)	Pensions Reserve Note 26(e)	(280,723)
(763)	(232)	Collection Fund Adjustment Account Note 26(f)	5
0	(524)	Unequal Pay Back Pay Account Note 26 (g)	(677)
(8,434)	(7,557)	Accumulated Absences Account Note 26 (h)	(7,038)
222,398	**(39,910)**	**TOTAL Unusable Reserves**	**419,610**

26(a). Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or

- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £000		2010/11 £000
13,264	**Balance at 1 April**	49,294
44,380	Upward revaluation of assets	185,310
(1,246)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(694)
56,398	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	233,910
(556)	Difference between fair value depreciation and historical cost depreciation	(2,118)
(6,548)	Accumulated gains on assets sold or scrapped	(2,428)
(7,104)	Amount written off to the Capital Adjustment Account	(4,546)
49,294	**Balance at 31 March**	**229,364**

26(b). Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. In 2009/10 the reserve related to investments held by the Council’s external fund manager. These investments were all repaid to the Council in 2010/11.

2009/10 £000		2010/11 £000
156	**Balance at 1 April**	(24)
5	Upward revaluation of investments	
(70)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	
(115)	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	24
(24)	**Balance at 31 March**	**0**

26(c). Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical

cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 12 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000		2010/11 £000
523,224	**Balance at 1 April**	520,437
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(18,824)	• Charges for depreciation of non current assets	(21,210)
(24,474)	• Revaluation losses and Impairment on Property, Plant and Equipment	(71,492)
(81)	• Amortisation of intangible assets	(109)
(6,741)	• Revenue expenditure funded from capital under statute	(5,604)
0	• Fixed Assets Transfer with no Capital Outlay	(42)
(24,351)	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(554)
0	• Long term Debtors & Creditors written out – Joint Assets	(5,025)
556	Adjusting amounts written out of the Revaluation Reserve	2,118
23	Net written out amount of the cost of non current assets consumed in the year	105
	Capital financing applied in the year:	
13,198	• Use of the Capital Receipts Reserve to finance new capital expenditure	17,038
43,513	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	36,042
0	• Application of grants to capital financing from the Capital Grants Unapplied Account	898
6,684	• Statutory provision for the financing of capital investment charged against the General Fund	7,290
1,106	• Capital expenditure charged against the General Fund	105
6,604	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	66
520,437	**Balance at 31 March**	**480,063**

26(d). Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The balance on the account is represented by three specific items:

- Unamortised premiums and discounts – these arise from the early repayment of loans which will be charged / credited to the General Fund through the Statement of Movement

on the General Fund Balance. A number of loans were repaid early in 2010/11 with the premiums / discounts being charged through the accounts over the next 10 years. The balance outstanding as at 31 March 2011 is £0.403m.

- Lender Option Borrowers Option (LOBO) loans – these arise from the change to the basis on which stepped LOBO loans are recorded using the effective interest rate. The amounts will be charged to the General Fund through the Statement of Movement on the General Fund Balance over the remaining lives of the loans (between 35 and 46 years). The balance outstanding as at 31 March 2011 is £0.688m.

- Soft Loans – these are loans which have been granted either without interest payable or with interest payable at below market levels. The value of the loan is written down by the amount of interest foregone with the corresponding amount transferred to the Financial Instruments Adjustment Account. The Income & Expenditure account is credited each year with the effective interest calculated on a suitable market basis and the balance in the Financial Instruments Adjustment account is written down accordingly so that at the end of the loan the amount relating to the soft loan is zero. The amounts of soft loans have increased in 2010/11 due to the commencement of Assisted Purchase Housing Schemes and Private Sector Housing Assistance schemes where interest free mortgages are being granted.

		2010/2011			
2009/10		PWLB	LOBO	Soft Loans	Total
£000		£000	£000		£000
(768)	**Balance at 1 April**	(31)	(676)	(61)	**(768)**
	Additions to reserve during the year:				
	Premiums incurred during the year	(1,264)			**(1,264)**
	Discounts arising during the year	831			**831**
	Notional interest on new soft loans			(253)	**(253)**
	Write down of reserve during the year:				
61	Premiums / (Discounts)	61	(12)		**49**
(61)	Soft loan interest			21	**21**
(768)	**Balance at 31st March**	**(403)**	**(688)**	**(293)**	**(1,384)**

26(e). Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible, statutory arrangements require benefits earned to be financed. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory

arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000		2010/11 £000
(304,281)	**Balance at 1 April**	(600,536)
(282,887)	Actuarial gains or losses on pensions assets and liabilities	235,281
(44,298)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	54,851
30,930	Employer's pensions contributions and direct payments to pensioners payable in the year	29,681
(600,536)	**Balance at 31 March**	**(280,723)**

26(f). Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £000		2010/11 £000
(763)	**Balance at 1 April**	(232)
531	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	237
(232)	**Balance at 31 March**	**5**

26(g). Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

2009/10 £000		2010/11 £000
	Balance at 1 April	(524)
0	Increase in provision for back pay in relation to Equal Pay cases	(153)
(524)	Cash settlements paid in the year	0
0	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0
(524)	**Balance at 31 March**	**(677)**

26(h). Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year

e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10 £000		2010/11 £000
(8,434)	**Balance at 1 April**	(7,557)
8,434	Settlement or cancellation of accrual made at the end of the preceding year	7,557
(7,557)	Amounts accrued at the end of the current year	(7,038)
877	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	519
(7,557)	**Balance at 31 March**	**(7,038)**

27. Cash flow Statement - Operating Activities

2009/10 £000		2010/11 £000
(17,248)	**Net surplus or (deficit) on the provision of services**	24,993
	Adjust net surplus or deficit on the provision of services for non cash movements	
39,533	Depreciation	21,082
4,984	Impairment and downward valuations	71,492
81	Amortisation	109
72	Reductions in fair value of Soft Loans (non Subsidiary) made in the year	197
(11)	Soft Loans (non Subsidiary)-Interest adjustment credited to I+E Account during year	(23)
(275)	Adjustments for effective interest rates	(524)
	Increase/decrease in provision for impairments/doubtful debts re: Loans & Advances	
	Financial Guarantee Adjustments	
	Net PFI Debtor Adjustments	
	Increase/Decrease in Interest Creditors	
64,905	Increase/Decrease in Creditors	(8,106)
157	Increase/Decrease in Interest and Dividend Debtors	445
(13,661)	Increase/Decrease in Debtors	29,688
79	Increase/Decrease in Inventories	(268)
13,368	Pension Liability	(82,226)
1,241	Contributions to/(from) Provisions	(4,319)
	Provision for Equal Pay	
24,351	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	5,749
	Issuing of Council Mortgages relating to deferred capital receipts	
81,394	Carrying amount of short and long term investments sold	81,155

2009/10 £000		2010/11 £000
(6,520)	Movement in Investment Property Values	(66)
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(54,351)	Capital Grants credited to surplus or deficit on the provision of services	(40,387)
(83,458)	Proceeds from the sale of short and long term investments	(79,091)
	Premiums or Discounts on the repayment of financial liabilities	
(7,504)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(7,661)
47,137	**Net Cash Flows from Operating Activities**	**12,239**

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
	Operating activities within the cashflow statement include the following cash flows relating to interest	
1,616	Ordinary interest received	1,157
(11)	Soft Loans (non Subsidiary)-Interest adjustment credited to I+E Account during year	(23)
(290)	Other adjustments for differences between Effective Interest Rates and actual interest receivable - Investments	0
15	Other adjustments for differences between Effective Interest Rates and actual interest payable	(524)
(7,936)	Interest charge for the year	(7,741)
107	Opening Debtor	434
50	Closing Debtor	11

28. Cash flow Statement - Investing Activities

2009/10 £000		2010/11 £000
(98,036)	Property, Plant and Equipment Purchased	(67,187)
1,203	Add back new Finance Leases (non cash flow item)	386
18,726	Add back PFI assets (non cash flow item)	
(2,437)	Opening Capital Creditors	(7,289)
7,289	Closing Capital Creditors	3,221
(86,000)	Purchase of short term investments	(78,000)
0	Purchase of short and long term investments	(215)
(294)	Long term loans granted	(673)
0	Capital Grants Repaid	260
3,456	Proceeds from the sale of property plant and equipment, investment property and intangible assets	0
(83,458)	Proceeds from short term investments	79,091
15	Other capital cash receipts	0
47,828	Capital Grants Received	46,460
(4,151)	Other capital cash receipts in advance	0
(28,913	**Total Cash Flows from Investing Activities**	**(16,255)**

29. Cash flow Statement - Financing Activities

2009/10 £000		2010/11 £000
	Cash receipts of short and long term borrowing	44,979
(6,046)	Billing Authorities - Council Tax and NNDR adjustments	(5,155)
	Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	
(62)	Repayment of Short-Term and Long-Term Borrowing	(52,816)
	Other receipts from financing activities	
(1,361)	Payments for the reduction of a finance lease liability	(1,077)
(282)	Payments for the reduction of a PFI liability	(435)
	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	
(7,751)	**Total Cash Flows from Financing Activities**	**(14,504)**

30. Amounts Reported for Resource Allocation Decisions (Segmental Reporting)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However,

decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Directorates. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

- expenditure on some support services is budgeted for centrally and not charged to Directorates.

The income and expenditure of the Authority's principal Directorates recorded in the budget reports for the year is as follows:

2010/2011	Adults, Health & Wellbeing **£000**	Children's Services **£000**	Places **£000**	Performance & Capacity **£000**	TOTAL **£000**
Fees, charges & other service income	(74,891)	(13,645)	(32,549)	(14,083)	**(135,168)**
Government grants	(18,024)	(287,670)	(7,153)	(97,623)	**(410,470)**
Total Income	**(92,915)**	**(301,315)**	**(39,702)**	**(111,706)**	**(545,638)**
Employee expenses	54,223	212,747	33,470	33,290	**333,730**
Other service expenses	132,085	127,563	59,735	120,756	**440,139**
Total Expenditure	**186,308**	**340,310**	**93,205**	**154,046**	**773,869**
Net Expenditure	**93,393**	**38,995**	**53,503**	**42,340**	**228,231**

2009/2010 Comparative Figures	Adults, Health & Wellbeing **£000**	Children's Services **£000**	Places **£000**	Performance & Capacity **£000**	TOTAL **£000**
Fees, charges & other service income	(60,186)	(24,451)	(23,858)	(21,921)	**(130,416)**
Government grants	(17,767)	(270,271)	(6,690)	(88,428)	**(383,156)**
Total Income	**(77,953)**	**(294,722)**	**(30,548)**	**(110,349)**	**(513,572)**
Employee expenses	60,623	209,431	31,584	39,293	**340,931**
Other service expenses	111,640	117,337	48,032	113,167	**390,176**
Support service recharges	0	0	0	0	**0**
Total Expenditure	**172,263**	**326,768**	**79,616**	**152,460**	**731,107**
Net Expenditure	**94,310**	**32,046**	**49,068**	**42,111**	**217,535**

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2009/10 £000		2010/11 £000
217,535	Net expenditure in the Directorate Analysis	228,231
33,224	Net expenditure of services and support services not included in the Analysis	37
11,234	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(4,062)
12,201	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	16,328
274,194	**Cost of Services in Comprehensive Income and Expenditure Statement**	**240,534**

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	**Cost of Services £000**	Corporate Amounts £000	**TOTAL £000**
Fees, charges & other service income	(135,168)		(1,534)			**(136,702)**	1,534	**(135,168)**
Surplus or deficit on associates and joint ventures						**0**		**0**
Interest and investment income						**0**	(2,349)	**(2,349)**
Income from council tax						**0**	(179,618)	**(179,618)**
Government grants and contributions	(410,470)			16,817		**(393,653)**	(120,988)	**(514,641)**
Total Income	**(545,638)**	**0**	**(1,534)**	**16,817**	**0**	**(530,355)**	**(301,421)**	**(831,776)**
Employee expenses	333,730		(75,273)			258,457	0	258,457
Other service expenses	440,139		(2,552)	(489)		437,098	0	437,098
Support Service recharges		37				37	0	37
Depreciation, amortisation and impairment			98,753			98,753	0	98,753
Changes in Value of Investment Properties			16			16	(91)	(75)
Interest Payments			(23,467)			(23,467)	6,239	(17,228)
Pension Interest Cost and Rate of Return on Pension Assets						0	23,467	23,467
Precepts & Levies						0	3,040	3,040
Payments to Housing Capital Receipts Pool			(6)			(6)	6	0
Gain or Loss on Disposal of Non Current Assets						0	3,233	3,233
Total Expenditure	**773,869**	**37**	**(2,529)**	**(489)**	**0**	**770,888**	**35,894**	**806,782**
Surplus or deficit on the provision of services	**228,321**	**37**	**(4,063)**	**16,328**	**0**	**240,533**	**(265,527)**	**(24,994)**

2009/10 Comparatives	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	**Cost of Services** £000	Corporate Amounts £000	**TOTAL** £000
Fees, charges & other service income	(130,416)	(1,825)	(1,682)	132,947		(119,976)	(14,260)	**(134,236)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	**0**
Interest and investment income	0	0	0	0	0	0	(1,616)	**(1,616)**
Income from council tax	0	0	0	0	0	0	(175,853)	**(175,853)**
Government grants and contributions	(383,156)	28	0	15,239	0	(367,889)	(131,093)	**(498,982)**
Total Income	**(513,572)**	**(1,797)**	**(1,682)**	**29,186**	**0**	**(487,865)**	**(322,822)**	**(810,867)**
Employee expenses	340,931	5,600	10,890	(8,934)	0	348,487	8,949	**357,436**
Other service expenses	390,176	13,985	2,026	(7,835)	0	398,352	7,784	**406,136**
Support Service recharges	0	20	0	0	0	20	0	**20**
Depreciation, amortisation and impairment	0	15,416	0	(216)	0	15,200	21,111	**36,311**
Changes in Value of Investment Properties	0	0	0	0	0	**0**	(6,517)	**(6,517)**
Interest Payments	0	0	0	0	0	**0**	8,383	**8,383**
Pension Interest Cost and Rate of Return on Pension Assets	0	0	0	0	0	**0**	23,727	**23,727**
Precepts & Levies	0	0	0	0	0	**0**	2,717	**2,717**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	11	**11**
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	**0**	(290)	**(290)**
Total Expenditure	**731,107**	**35,021**	**12,916**	**(16,985)**	**0**	**762,059**	**65,875**	**827,934**
Surplus or deficit on the provision of services	**217,535**	**33,224**	**11,234**	**12,201**	**0**	**274,194**	**(256,947)**	**17,247**

31. Landfill Allowance Trading Scheme (LATS)

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) in the United Kingdom to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. It also provides the legal framework for the Landfill Allowances Trading Scheme (LATS), which commenced operation on 1 April 2005.

From April 2009 the Council has been allocated an annual allocation of landfill allowances/permits. One allowance/permit is equal to one tonne of BMW Waste. The Council must therefore have sufficient permits in its possession at the year end to meet the tonnage of BMW waste it is to commit to landfill in that year.

The Council may use these allowances to meet its liability for its actual BMW landfill usage, sell any available allowances to another WDA or purchase additional resources from a WDA.

Therefore, if the Council landfills more waste than their allowance from the Department for Environment, Food & Rural Affairs (DEFRA) permits, they must purchase allowances from another WDA to enable them to meet their liability for actual BMW landfill usage, bring forward allowances from a future year or pay a financial penalty to DEFRA if they fail to acquire sufficient allowances to meet the liability. If they landfill less waste than the allowances held permit, they can be carried forward to meet future years' liabilities.

Allowances allocated by DEFRA or purchased from another authority are classified as current assets and any penalty payment due to DEFRA in respect of landfill usage is shown as a liability.

There are three target years within the 15 year compliance period, 2009-10, 2012-13 and 2019-20. Regulations restrict borrowing to supplement allowances in either the target year or the year preceding it. In addition banked allowances from previous years may not be carried forward into a target year. Therefore surplus allowances at the end of 2009-10 were required to be written off.

There were no trades of allowances carried out by Cheshire East Borough Council during 2010-11. The actual landfill usage during 2010-11 is less than the allowances allocated from DEFRA and the surplus allowances (£0.536m) have been carried forward as a current asset to meet any future years' liabilities.

2009/10 £000		2010/11 £000
-	Current Assets - Balance brought forward	1,489
-	Writing down of allowances to reflect revised market value	(98)
-	De-recognition of allowances for 2009-10	(823)
1,489	Allowances allocated by DEFRA	999
1,489	**Current Assets**	**1,567**
-	Current Liabilities - Balance brought forward	(978)
-	Increase in 2009-10 liability post verification	(113)
-	Prior year liability discharged	823
-	Liability to DEFRA 2010-11	(763)
(978)	Liability to DEFRA 2009-10	-
(978)	**Current Liabilities**	**(1,031)**
511	**Current Assets Less Current Liabilities**	**536**

32. Trading Operations

The Council has 4 major trading units covering a range of activities which generate income from third parties or from charges made to other areas of the Council. Some trading activities have net expenditure budgets, which reflect the operational and accounting policies approved by the Council in setting its budget and do not aim to recover all their costs through the level of charges. In 2011/12, CBS Supplies was the only trading operation delivered as part of the shared services arrangements, this service ceased in March 2011, further details of which are provided in Note 50

- Catering operates as a trading account for school meals and staff catering;

- Cleaning operates as a trading account for the provision of caretaking and cleaning services to schools, offices and other organisations;

- Supplies operates as a trading account for the provision of a cost effective source of education and office supplies;

- Tatton Park operates as a trading operation and includes all trading outlets, events and visitor attractions, operating on a 99 year lease to the Council from the National Trust. Tatton was set up as a trading account to facilitate improved freedoms and flexibilities and to exploit additional income sources whilst operating within the context of a 5 year business plan;

	2009/2010				2010/2011	
Gross Expenditure	Gross Income	(Surplus) / Deficit	Trading Operation	Gross Expenditure	Gross Income	(Surplus)/ Deficit
£000	£000	£000		£000	£000	£000
8,386	(7,436)	**950**	Catering	8,216	(7,817)	**399**
1,532	(1,591)	**(59)**	Cleaning	2,454	(2,610)	**(156)**
2,244	(2,317)	**(73)**	Supplies	1,952	(1,696)	**256**
4,822	(2,916)	**1,906**	Tatton Park	5,359	(3,070)	**2,289**
16,984	**(14,260)**	**2,724**	**TOTAL**	**17,981**	**(15,193)**	**2,788**

33. Pooled Budgets

Under Section 31 of the above Act, the Council has registered its partnership arrangement with Central and Eastern Primary Care Trust to commission services to Adults with Learning Difficulties within the footprints of both Councils.

The Pooled Budget for Learning Disabilities was formed in April 2002. This enabled the former County Council and the two local Primary Care Trusts to combine their budgets under one lead partner and act as a single body when commissioning services. This agreement does not however set the Pool up as a separate legal entity.

Under International Accounting Standard 31, each partner needs to report its share of the Pool's year end assets and liabilities. The following memorandum note sets out the balances as at 31 March 2011 attributable to the Pool's partners; only the Council's share of these balances has been reported within the Balance Sheet.

The Pooled Budget for Learning Disabilities for 2010-11 was a single joint arrangement hosted within Cheshire East Unitary Authority operating within the boundaries of Cheshire East Borough Council. Any additional expenditure over and above the agreed Pooled Budget limit is met by both Partners in the agreed proportions. Each partner to the Pool will report its own share of the Pooled Budget transactions within its accounts and report the Memorandum Account and Balance Sheet as a note.

In 2011-12 the balance of funding for the revised Pool will shift significantly as the Department of Health transfers funding formerly directed to the health sector directly to Councils with Social Care responsibilities under the "Valuing People Now" agenda. Following the transfer, the Cheshire East Council will contribute an increased share towards the costs of the Pooled Budget and accordingly report a larger share of any Pool.

Cheshire East Borough Council – Adults with Learning Difficulties Pooled Budget

Health Act 1999 – Pooled Budget	2010/11 Cash £000	Overheads £000	Grants £000	Total £000
FUNDING				
Cheshire East Borough Council	18,498	517		**19,015**
Specific Grants				
Learning Disability Development Fund (LDDF)			224	**224**
Carers Grant			175	**175**
				19,414
Central & Eastern Cheshire PCT	12,592			**12,592**
LDDF Capital Funding	499			**499**
Total Funding	**31,589**	**517**	**399**	**32,505**
EXPENDITURE				
Internal Provision	11,014			**11,014**
External Social Care	9,964		175	**10,139**
Health Contracts	4,073			**4,073**
Partnership Trust	3,938			**3,938**
New Health Network SLA	2,368			**2,368**
Secure Commissioning	1,260			**1,260**
Social Care Assessors	1,119			**1,119**
Transport	688			**688**
LDDF Capital Expenditure	355			**355**
Other	205			**205**
Nurse Advisor	179			**179**
Overheads		572		**572**
Total Expenditure	**35,163**	**572**	**175**	**35,910**
Net Overspend/(Underspend) (met by additional partner contributions)				**3,405**

Balances Attributable to Pool Partners

	Cheshire East £000	Cheshire West and Chester £000	Total £000
Funding (excludes LDDF Capital Expenditure)	21,632	13,923	35,555
Funding Share	60.84%	39.16%	100.00%
Current Assets			
Debtors / Prepayments	496	-	496
Cash in Hand	-	635	635
Current Liabilities			
Creditors	351	635	986
Cash Overdrawn	145	-	145

34. Members' Allowances

In accordance with the Local Authorities (Members' Allowances) Regulations 2003, the total amount spent on members' allowances in 2010-11 was £1.5m. This figure includes the basic allowance, special responsibility allowance and member pension costs. It does not include the direct reimbursement of costs incurred.

Members' allowances are approved by the Council after consideration of the advice and recommendations of its Independent Panel. As required under the appropriate regulations, the Council publishes annual details of the sums paid by it to each Member of the Council in respect of those allowances to which they are entitled. An appropriate notice is published in the local press in July, stating that details can be obtained from the Council on request.

2009/10 £000		2010/11 £000
972	Basic Allowance	973
385	Special Responsibility Allowance	395
104	Pension	102
1,461	**Total Members' Allowances**	**1,470**

35. Officers' Remuneration

In accordance with the Accounts and Audit Regulations 2003, the number of employees (including schools based staff) whose level of emolument exceeded £50,000 is detailed below. Emoluments include salary, taxable benefits such as car allowances and non-taxable termination payments (i.e. the first £30,000 of an individual severance payment) but exclude direct reimbursement of costs incurred and pension contributions. They also include back dated Single Status payments to employees.

2009/10 No of Employees	Emoluments Band	2010/11 No of Employees
168	£50,000 - £54,999	177
89	£55,000 - £59,999	85
54	£60,000 - £64,999	71
22	£65,000 - £69,999	19
12	£70,000 - £74,999	11
17	£75,000 - £79,999	9
13	£80,000 - £84,999	12
5	£85,000 - £89,999	11
12	£90,000 - £94,999	5
4	£95,000 - £99,999	5
2	£100,000 - £104,999	2
3	£105,000 - £109,999	1
1	£110,000 - £114,999	2
0	£115,000 - £119,999	2
1	£120,000 - £124,999	1
0	£125,000 - £129,999	1
1	£130,000 - £134,999	0
0	£135,000 - £139,999	0
1	£140,000 - £144,999	0
0	£145,000 - £149,999	0
0	£150,000 - £154,999	0
0	£155,000 - £159,999	0
0	£160,000 - £164,999	0
0	£165,000 - £169,999	0
0	£170,000 - £174,999	1
0	£175,000 - £179,999	0
0	£180,000 - £184,999	0
1	£185,000 - £189,999	0
406	**TOTAL**	**415**

36. Officers' Remuneration – Senior Employees

In addition, the remuneration of senior employees and any officer earning over £150,000 needs to be disclosed. Senior employees include the statutory officers and any person having responsibility for the management of the authority, to the extent that the person has power to direct or control the major activities of the authority.

Job Title / Name	Salary, Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Employment £	Employers' Pension Contribution £	TOTAL £
Chief Executive - Erika Wenzel (Note 1)	189,260	1,075	0	35,983	**226,318**
Strategic Director Places	121,923	1,751	0	25,360	**149,034**
Director of Children and Families Services	111,661	642	0	23,225	**135,528**
Director of Adult and Community Health Services	111,667	580	0	23,227	**135,473**
Head of Policy and Strategy	73,822	0	30,000	8,271	**112,093**
Head of HR and Organisational Development	90,314	746	0	18,785	**109,846**
Borough Treasurer and Head of Assets	90,320	132	0	18,787	**109,239**
Projects and Performance Manager	65,779	1,937	30,000	10,170	**107,886**
Head of Environmental Services	83,234	1,429	0	17,313	**101,976**
Head of Regeneration	80,318	1,261	0	17,313	**98,892**
Head of Health and Wellbeing Provider Services	77,003	1,082	0	16,017	**94,102**
Head of Policy and Performance	76,696	0	0	15,953	**92,649**
Manager of Strategic Commissioning	50,026	0	30,000	9,776	**89,801**
Head of Corporate Improvement	73,333	620	0	15,253	**89,206**
Strategy Planning and Performance Manager	72,000	1,900	0	14,976	**88,876**
Head of Care4CE	72,754	694	0	15,121	**88,568**
Head of Local Delivery and Independent Living	72,000	1,239	0	14,976	**88,215**
Head of Strategic Commissioning and Safeguarding	72,408	927	0	14,782	**88,117**
Finance Manager	70,210	604	0	14,604	**85,418**
Head of Planning and Policy	68,293	0	0	14,205	**82,498**
Head of Safer and Stronger Communities	66,179	1,252	0	13,765	**81,197**
ICT Manager	67,029	788	0	13,374	**81,191**
Head of Business Management Performance and Standards	63,359	1,236	0	13,179	**77,774**
Human Resources Delivery Manager	62,885	663	0	13,080	**76,628**
Human Resources Strategy Manager	62,003	1,105	0	12,897	**76,004**
Assets Manager	61,320	1,433	0	12,755	**75,508**
Customer Services Manager	61,625	835	0	12,818	**75,278**
Human Resources Organisational Development Manager	62,296	0	0	12,957	**75,253**
Performance and Partnerships Manager	62,059	0	0	12,908	**74,968**
Employee Service Centre Manager	59,424	1,120	0	12,342	**72,887**
Legal Team Manager	58,053	1,300	0	12,075	**71,428**
Procurement Manager	58,056	0	0	12,076	**70,132**
Strategic Manager Performance Management and Improvement	56,631	1,153	0	11,366	**69,150**
Communications and PR Manager	56,782	15	0	11,811	**68,608**
Democratic and Registration Services Manager	56,494	324	0	11,751	**68,569**
Head of ICT Commissioning and Planning	57,165	146	0	10,772	**68,084**
Strategic Director People	54,167	638	0	11,267	**66,071**
Borough Solicitor and Monitoring Officer	53,791	295	0	11,188	**65,274**

Note 1
An amount is included for Allowances for the following Returning Officer Fees:

Parliamentary Election – May 2010, £13,719
By-Elections - £2,547

37. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £7.071m (£6.961m in 2009/10). Of this total, £0.143m is payable to Manager of Strategic Commissioning, Head of Policy & Strategy and Projects & Performance Manager, in the form of compensation for loss of office and enhanced pension benefits of £0.082m, as disclosed in Note 35. The remaining £6.928m is payable to 469 officers from various Services who were made redundant as part of the Authority's rationalisation of the Services.

38. Related Parties

The Accounting Code of Practice requires the Authority to include in its Statement of Accounts material transactions with related parties. Where it is identified that external bodies, organisations or individuals (either within or outside the Authority) have the potential to control or influence the Authority or be controlled or influenced by the Authority, a disclosure may be necessary. All elected Members, Chief Officers and Council Managers are also required to complete a declaration regarding whether they or members of their close family or same household are involved in any such activity where there could be deemed to be an element of control or influence.

Material transactions with other public bodies (such as Central Government, other Local Authorities and Primary Care Trusts) and the Cheshire Pension Fund (where Cheshire West and Chester acts as the Administering Authority) have been disclosed elsewhere within the Comprehensive Income and Expenditure Statement, Cash Flow Statement and the Balance Sheet. A specific separate disclosure has also been made for the Pension Fund as well as Shared Services arrangements funded by Cheshire West and Chester Council and Cheshire East Borough Council. Finally, there are services which are currently delivered to young people through Connexions Cheshire and Warrington Limited, a company owned by Cheshire East Borough Council, Cheshire West and Chester Council and Warrington Borough Council and details on this particular company can also be found elsewhere within the Statement of Accounts.

With regards to private, voluntary and public bodies with whom we work (other than those mentioned above), there may either be a direct financial contribution and / or an operational or controlling influence. Where there is a direct financial contribution, total payments to such organisations for 2010-11 amounts to £9,191,673. This figure includes a payment of £6,883,102 from Dedicated School Grant to fund the Childcare strategy aimed at rolling out the governments "Every Child Matters" agenda primarily to nursery schools, child minders and out of school clubs.

Table showing the source of funding for key related parties transactions

Source of funding	£
Dedicated schools grant (DSG)	6,883,102
Other grant	1,062,269
Capital funding	250,000
Other	996,302
Total	**9,191,673**

The Authority also commits to staff time and support when working with its partners and, in certain cases, is represented at Officer or Member level in strategic decision making.

In respect of Members, Chief Officers and Council Managers (including respective close family or household members) and their personal requirement to disclose, there are no material related party transactions to report.

39. Interest in other Companies and Entities - Connexions

In October 2007, as part of a national agenda to bring together services delivered to young people through Connexions and those provided by local authorities, into one Integrated Youth Support Service, Cheshire County Council transferred its Youth Service to Connexions Cheshire and Warrington Limited. Cheshire East Borough Council now contracts with the Company for the provision of youth related services. The initial contract, which expired on 31 March 2011, has been amended and reduced in scope and extended for a further year to 31 March 2012.

The company is limited by Guarantee to the value of £1. In 2010-11 the company had an IAS 19 pension deficit of £0.9m, for which the company accounts for under IFRS. This pension deficit has reduced significantly from £13.1m in 2009-10, due to a revaluation and a number of reductions in the workforce within the company during the year. Should the company cease trading then Cheshire East and Cheshire West and Chester Councils would be required to meet the on-going pension liabilities under an agreement with the Cheshire Pension Fund entered into by the former County Council.

The ownership of the company is split between Warrington Borough Council (WBC) at 25% with Cheshire West and Chester (CWAC) 37.5% and Cheshire East the remaining 37.5%. The business is managed by a Board of 19 members, 3 of which are nominated representatives of Cheshire East Borough Council (3 elected members) and 12 Observers, who include partner agencies whose representatives cannot take up the position of company Director. During the year, due the restructuring and financial difficulties being experienced by the company a number of Board positions have remained vacant, including two of the Council's three nominated posts.

The gross turnover of the company in 2010-11 was £11.2m, which included £4.4m of grant and other funding from Cheshire East Borough Council. During 2010-11, following reductions in grant from the Government, reductions in funding to Connexions of £0.6m were made, alongside similar reductions made by both CWAC and WBC. The company responded by restructuring the business, resulting in reductions in the workforce. The contract between the three Councils and Connexions for the provision of services has been extended through to 31 March 2012.

Based on Module 9 of the Code of Practice, Group Accounts, the company is considered to be an associate of the Council, which would normally require the completion of a set of group accounts. However, the Council has not produced group accounts as both the monetary amounts involved and the Council's exposure to risk are not considered to be material.

40. External Audit Costs

The Council incurred the following external audit and inspection fees:

2009/10 £000		2010/11 £000
415	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	383
0	Fees payable to the Audit Commission in respect of statutory inspections	0
1	Fees for independent inspection of Audlem Education Foundation	0
51	Fees payable to the Audit Commission for the certification of grant claims and returns	75
467	**TOTAL**	**458**

41. Dedicated Schools Grant (DSG)

The funding of schools is provided via Dedicated Schools Grant (DSG) of £200.642m in 2010/11 (£193.3m in 2009-10). This is a ring-fenced grant and can only be applied to meet expenditure properly included in the Schools Budget. The grant is, therefore, credited against Children's and Education Services in the Comprehensive Income and Expenditure Statement. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and under spending on the two elements are required to be accounted for separately. The Council is also able to supplement the Schools Budget from its own resources.

Details of the deployment of DSG receivable for 2010/11 are as follows:

Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2010-11	35,364	165,278	**200,642**
School Specific Contingencies	(2,250)	2,250	**0**
Brought Forward from 2009-10	(1,158)	0	**(1,158)**
Carry forward to 2011-12 agreed in advance	0	0	**0**
Agreed budgeted distribution in 2010-11	**36,522**	**167,528**	**201,800**
Actual Central Expenditure	33,734	0	**33,734**
Actual ISB deployed to Schools	0	167,528	**167,528**
Local Authority contribution 2010-11	0	0	**0**
CARRY FORWARD 2010-11	**(538)**	**0**	**(538)**

42. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

2009/10 £000		2010/11 £000
-	Local Transport Plan	(13,321)
-	Standards Fund (Capital)	(10,930)
-	Department of Communities & Local Government	(2,116)
-	Young Peoples Learning Agency	(2,556)
-	Dept of Health-Mental Health	(1,927)
-	Surestart, Early Years Childcare Grants	(1,348)
(50,519)	Other Grants	(6,354)
-	Developers Contributions – S.106 & S.278	(575)
(3,457)	Other Contributions	(1,557)
(54,066)	**TOTAL**	**(40,684)**

2009/10 £000	Credited to Services	2010/11 £000
194,472	Dedicated Schools Grant	195,004
68,891	Housing Benefit Subsidy Grant	75,991
34,875	Standards Fund	36,715
19,487	Council Tax Subsidy Grant	20,690
17,675	Learning Skills Council	27,789
8,433	Surestart, Early Years Childcare Grants	10,031
22,655	Other Specific Grants	34,214
366,488	**TOTAL**	**400,434**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Capital Grants Receipts in Advance	31 March 2011 £000
Developer Contributions – Section 106	1,555
Total	**1,555**

43. Leases

(a). Assets Held Under Finance Leases

The rentals payable under these arrangements in 2010/11 were £1.56m Charged to the Income and Expenditure Account as £0.48m finance costs and £1.08m write down of obligation to the lessor. These items are included within tangible fixed assets on the balance sheet. The assets held by Cheshire East under finance leases are equipment.

Balance 2009/10 £000		Balance 2010/11 £000
3,343	Net Book Value as at 1 April	3,185
1,203	Additions	386
-	Disposals	-
(1,361)	Depreciation	(1,077)
3,185	**Net Book Value as at 31 March**	**2,494**

Outstanding obligations to make payments under these finance leases (excluding finance costs) accounted for, as part of long-term liabilities, are as follows:

2009/10 £000		2010/11 £000
1,042	Obligations payable in next financial year	855
2,143	Obligations payable after more than 1 year	1,639
3,185	**Total Liabilities as at 31 March**	**2,494**

(b). Assets Held Under Operating Leases – Council as Lessee

The Council was committed at 31 March 2011 to making payments of £1.276m in 2011/12 relating to operating leases:

2009/2010				2010/2011		
Land and Buildings £000	Other £000	TOTAL £000		Land and Buildings £000	Other £000	TOTAL £000
			<u>Lease:</u>			
33	1,075	**1,108**	Paid within the year	124	229	**353**
524	751	**1,275**	Expiring within 1 year	399	491	**890**
0	114	**114**	Expiring between 1 and 5 years	0	33	**33**
557	**1,940**	**2,497**	**TOTAL**	**523**	**753**	**1,276**

(c). Assets Under Operating Leases – Council as Lessor

The Authority acts as lessor for a number of properties and for Farms Estate. Lease rentals for these properties are anticipated to be £9.1m in 2011/12. The value of the Farms Estate as at 31 March 2011 was £7.5m.

44. Deferred Liabilities

2009/10 £000		2010/11 £000
647	**Balance Brought Forward**	585
(62)	Liabilities Removed	(316)
0	Additional Liabilities Deferred	0
685	**BALANCE CARRIED FORWARD**	**269**

45. Private Finance Initiative (PFI) and Similar Contracts

The Council has a PFI arrangement in respect of an Extra Care Housing.

Extra Care Housing combines housing and care support for older people who have access to high quality accommodation with their own front door, with the security of a 24 hour Care Provider on site to provide reliable and responsive support as needed. These two elements are combined with a range of both on site support and communal facilities which seek to ensure there are opportunities to participate in a range of activities, promoting well being and enhancing independence for older people.
The Cheshire East sites are based at Crewe, Handforth and Middlewich and include the following accommodation:-

- Middlewich: 71 apartments
- Handforth: 53 apartments
- Crewe: 132 apartments

The Community Village includes:

- A communal lounge
- Dining Room / Restaurant
- Hobby and Craft room
- Village Hall

There are additional sites at Winsford and Ellesmere Port which are operated by Cheshire West and Chester.

The payments due to be made under the PFI contract are as follows:

	Repayments of Liability £000	Interest £000	Service Charge £000	Total £000
Amounts due in 2011/12	548	2,002	35	**2,585**
Amounts due – 2012/13 – 2015/16	1,817	7,528	86	**9,431**
Amounts due – 2016/17 – 2020/21	2,346	8,651	40	**11,037**
Amounts due – 2021/22 – 2025/26	2,901	7,405	6	**10,312**
Amounts due – 2026/27 – 2030/31	4,376	5,983	(118)	**10,241**
Amounts due – 2031/32 – 2035/36	5,954	4,300	(195)	**10,059**
Amounts due – 2036/37 – 2038/39	4,835	384	(115)	**5,104**
TOTAL	**22,777**	**36,253**	**(261)**	**58,769**

46. Trust Funds

During 2010-11 the Council acted as sole trustee for four Trust Funds. These Funds, some of which date back many years, were established for specific purposes, such as giving grants for education and training or providing community benefits, e.g. library books.

Trust Fund balances are excluded from the Balance Sheet; the notes to the accounts include details of the nature and amount of trust funds where the authority acts as the sole trustee.

The four Funds, included below, do not represent assets of the Council and so have not been included in the Council's Balance Sheet. Assets are stated at market value.

Continuing Trust Funds	Income £	Expenditure £	Assets £	Liabilities £
Audlem Education Foundation (established in 1910 to fund training and education for under 25s in the parish of Audlem)	(13,267)	6,363	532,167	
Nantwich Library Trust (established in 1910 to fund training and education for under 25s in the parish of Audlem)	0	0	27,903	
Mayor of Crewe & Nantwich Charity Relates to Mayoral year 2008/09 – all balances distributed in 2010/11 for educational purposes		13,817		
John McBride Trust Established in 1955, the income to be distributed for charitable purposes in Crewe	1,495	0	43,740	
Dale Eaton Trust (established in 1955 to provide support to charities within the Congleton and Macclesfield areas)	10	0	12,935	
Mayor of Cheshire East Charity (established in 2009 for charitable purposes within the Cheshire East area)	5,780	15,136	2,780	

47. Pension Schemes

47(a) Participation in Pension Schemes

Cheshire East Borough Council participates in two pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). With effect from January 2004, entry to the LGPS was extended to Councillors who may now opt to join the Scheme.

The terms of the LGPS were revised on 1 April 2008. The principal changes are: employee contributions are now based on salary levels, the death in service payment has increased and the death in retirement guarantee has also increased.

Local Government Pension Scheme (LGPS)
The LGPS is a funded scheme, meaning that the scheme's liabilities are backed by investment assets. It is a statutory defined benefit final salary scheme and all employees of Cheshire East Borough Council (other than teachers) may participate in the fund. The Authority and its employees pay contributions into the fund, calculated by the fund's independent actuary, at a level intended to fund the growth in pensions over the longer term.

In 2010-11 Cheshire East Borough Council paid employer contributions of £26.7m into the Cheshire Pension Fund (the Fund). This represented 20.8% of employees (other than teachers) pensionable pay.

The rate of employer contributions due to the fund is determined every three years and is based on a valuation by the Fund's actuary. The valuation effective for the 2010-11 financial year was undertaken as at 31 March 2010.

Accounting Treatment
This scheme is accounted for as a defined benefit scheme in accordance with International Accounting Standard 19 (IAS19).

The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis, using the projected unit method and the assets of the fund are included at their fair value.

Teachers' Pension Scheme
Teachers employed by Cheshire East Borough Council may participate in the Teachers' Pension Scheme (TPS), administered by the Department for Education (DfE). The scheme is a defined benefit scheme and, although the scheme is unfunded, TPS use a notional fund as the basis for calculating the employer's contribution rate paid by local education authorities and participating employees also pay contributions into the scheme. However, it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees.

Accounting Treatment
This scheme is therefore accounted for as if it were a defined contribution scheme – no liability for future benefits is recognised in the Balance Sheet and the Children's Services Income and Expenditure account is charged with the employer's contributions payable to teachers' pensions in the year which were £13.5m in 2010-11, representing 14.1% of pensionable pay. There were no contributions payable at the year-end.

Teachers Discretionary Payments

The Council has also awarded discretionary early retirement benefits for teachers and this scheme is unfunded.

The Council paid £3.0m in 2010-11 in relation to this scheme.

Accounting Treatment

This scheme is accounted for as a defined benefit scheme in accordance with International Accounting Standard 19 (IAS19).

The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method.

47(b). IAS19 Requirements

As mentioned in the Accounting Policies, the Authority has implemented IAS 19 in full.

The objectives of the standard are to ensure that:

- The operating costs of providing retirement benefits to employees are recognised in the accounting periods in which the benefits are earned by the employees and the related finance charges and income are recognised in the accounting periods in which they arise
- Other changes in the assets and liabilities (actuarial gains and losses) are recognised immediately in the Movement in the Reserves Statement.
- The pension scheme assets (valued at market value) and the pension scheme liabilities (discounted to their present value) are recognised in the Balance Sheet
- The financial statements contain adequate disclosure of the cost of providing retirement benefits and the related assets and liabilities

The summary of the pension accounts for 2010-11 is as follows:

	LGPS £000	Teachers £000	Total £000
Pension Reserve as at 1st April 2010	554,270	46,266	600,536
Additional charge to the Comp Inc & Exp Account – IAS19	(83,928)	(604)	(84,532)
Actuarial (gains) / losses	(230,518)	(4,763)	(235,281)
PENSION RESERVE AS AT 31 March 2011	**239,824**	**40,899**	**280,723**
NET PENSION LIABILITY AS AT 31 March 2011	**(239,824)**	**(40,899)**	**(280,723)**

The Net Pension Liability has reduced from £606.5m at 1 April 2010 to £280.7m at 31 March 2011. The deficit has reduced due to positive assets returns and falling long term inflation expectations.

The pension increase assumption is now in line with the Consumer Prices Index (CPI) rather than RPI. This is as a result of the Emergency Budget announcement in June 2010 and a report from the Office for Budget Responsibility, which explained that, as a result in the way in which the Retail Price Inflation (RPI) and Consumer Prices Inflation (CPI) indices are calculated (known as

the “formula effect”), RPI is likely to be around 0.8% higher than CPI in future. The difference in the last year or so has peaked at about 1% p.a. The observed difference in prior years had been on average around 0.5% p.a.

The impact of this change to the CPI assumption on the main disclosures is:

- Balance sheet: the value of the liabilities fell around 4-5% leading to an improvement in employers’ reported balance sheet positions at 31 March 2011.
- Revenue account: the change in pension increase assumption is regarded as a change in benefit and has been treated as a past service credit.

The financial and mortality assumptions are detailed in Note 47k. For example, the rate of inflation used was 3.8% as at 31 March 2010, but this was reduced to 2.8% as at 31 March 2011 and the longevity at 65 for future male pensioners was increased from 22.3 years as at 2009/10 to 24.9 years as at 2010/11.

Local Government Pension Scheme benefits are linked to price and salary inflation. It is therefore necessary to compare the real discount rate (i.e. the net price of inflation) from year to year when assessing the effect of changes on the IAS19 liabilities. In most cases, the real discount rate has increased significantly from 1.6% p.a. as at 31 March 2010 to 2.7% as at 31 March 2011. This is principally due to the change to pension increases now being linked to CPI as opposed to (higher) RPI. A higher real discount rate leads to a lower value being placed on the liabilities. Therefore the change in real discount rate between March 2010 and March 2011 will have a substantial positive impact on the IAS19 balance sheet, decreasing the value of the liabilities by around 10% to 15% typically.

On the assets side, the investment return on LGPS funds during 2010/11 was typically in the region of 5% to 10%, which means there is an asset gain. The Teacher’s Unfunded Liabilities Scheme has no assets to cover its liabilities.

The combined impact of the investment returns, the financial assumptions and the switch to CPI on the IAS19 balance sheet has made significant reductions to the deficit level.

Notes 47c to 47k give full details of the IAS19 disclosures required in the Statement of Accounts.

47 (c). Revenue Charges relating to Retirement Benefits

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by the employees, rather than when the benefits are eventually paid as pensions. However, the Council is required to raise Council tax on a different accounting basis (i.e. the basis of the cash payable in the year), so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

	LGPS 2010-11 £000	Teachers Unfunded Benefits 2010-11 £000	Total 2010-11 £000
Comprehensive Income & Expenditure Statement			
Net Cost of Services:			
Current Services Cost/removal of actual pension contributions	26,860	-	26,860
Curtailments and settlements			
Non Distributed Costs	2,217	-	2,217
Past Service Costs	(107,396)	-	(107,396)
	(78,319)		**(78,319)**
Net Operating Expenditure:			
Interest on pension scheme liabilities	64,521	2,404	66,925
Expected return on scheme assets	(43,457)	-	(43,457)
	21,064	2,404	**23,468**
Net Charge to the Comprehensive Income and Expenditure Statement	**(57,255)**	**2.404**	**(54,851)**
Movement in Reserves Statement			
Reversal of net charges for retirement benefits in accordance with IAS19	57,255	(2,404)	54,851
Actual amount charged against the General Fund Balance for pensions in the year			
Employer contributions payable to the scheme	26,673	3,008	29,681
Net Charge to the Movement in Reserves Statement	**83,928**	**604**	**84,532**

47 (d). Scheme Assets

The pension scheme assets are held by the Cheshire Pension Fund which is administered by Cheshire West and Chester Council. The Cheshire Pension Fund Accounts can be found in the Cheshire Pension Fund section of the Statement of Accounts.

As mentioned in the accounting policies, quoted securities held as assets in the defined pension scheme, are valued at bid price.

The bid value of Cheshire East Borough Council's share of the fund's assets as at 31 March 2011 (£722.9m) is detailed below.

	Local Government Pension Scheme		Teachers Unfunded Liabilities		Total	
	2010-11 £000	2009-10 £000	2010-11 £000	2009-10 £000	2010-11 £000	2009-10 £000
Net Book Value as at 1 April	**702,484**	511,491	**-**	-	**702,484**	511,491
Expected return on assets	43,457	32,373	-	-	43,457	32,373
Contributions by the employer	26,673	27,939	-	-	26,673	27,939
Contribution by scheme participants	8,450	8,780	-	-	8,450	8,780
Contributions – unfunded benefits	-	-	3,008	2,991	3,008	2,991
Actuarial gains / (losses)	(19,935)	153,831	-	-	(19,935)	153,831
Benefits paid	(38,181)	(31,930)	-	-	(38,181)	(31,930)
Unfunded Benefits paid	-	-	(3,008)	(2,991)	(3,008)	(2,991)
Net Book Value as at 31 March	**722,948**	702,484	-	**-**	**722,948**	702,484

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Assets	Fund value at 31 Mar 2010 £000	2009/10 Proportion of the Fund %	Fund value at 31 Mar 2011 £000	2010/11 Proportion of the Fund %
Equities	512,813	73	520,523	72
Bonds	98,348	14	108,442	15
Property	35,124	5	36,147	6
Cash	56,199	8	57,836	7
TOTAL	**702,484**	**100**	**722,948**	**100**

The overall expected long-term rate of return on assets is based on the weighted average for each category of asset as at 31 March 2011 at the respective rates of return, as given in the actuarial assumptions, to give an overall rate of return of 6.8%.

The actual return on scheme assets in 2010-11 was £59.1m.

The Teachers' Unfunded Liabilities Scheme has no assets to cover its liabilities.

47(e). Scheme Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Cheshire Pension Fund and the Teacher's Unfunded Liabilities Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

	Local Government Pension Scheme		Teachers Unfunded Liabilities		Total	
	2010-11 £000	2009-10 £000	2010-11 £000	2009-10 £000	2010-11 £000	2009-10 £000
Net Book Value as at 31 March	1,256,754	777,247	46,266	38,525	1,303,020	815,772
Current service cost	26,860	14,971	-	-	26,860	14,971
Interest cost	64,521	53,543	2,404	2,557	66,925	56,100
Contribution by scheme participants	8,450	8,780	-	-	8,450	8,780
Actuarial gains / (losses)	(250,453)	428,543	(4,763)	8,175	(255,216)	436,718
Benefits paid	(38,181)	(31,930)	(3,008)	(2,991)	(41,189)	(34,921)
Past service costs	(107,396)	260	-	-	(107,396)	260
Curtailments	2,217	5,340	-	-	2,217	5,340
Settlements	-	-	-	-	-	-
Net Book Value as at 1 April	**962,772**	**1,256,754**	**40,899**	**46,266**	**1,003,671**	**1,303,020**

47 (f). Scheme History

Local Government Pension Scheme	2010/16 £000	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000
Fair value of assets	722,948	702,484	511,492	-	-
Present value of liabilities	(962,772)	(1,256,754)	(777,247)	-	-
Surplus / (Deficit) in the Scheme	**(239,824)**	**(554,270)**	**(265,755)**	**-**	**-**
Teachers' Unfunded Liabilities					
Present value of liabilities / Scheme Deficit	(40,899)	(46,266)	(38,525)	-	-
Total Surplus / (Deficit) in the Schemes	**(280,723)**	**(600,536)**	**(304,280)**	**-**	**-**

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £281m has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy, as the deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

As Cheshire East Borough Council only came into existence on 1 April 2009 there are no comparative figures for 2006-07 to 2007-08.

47 (g). Pension Reserve

The Pension Reserve off-sets the Net Pension Liability in the Balance Sheet and is summarised below:

	Local Government Pension Scheme		Teachers Unfunded Liabilities		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
	£000	£000	£000	£000	£000	£000
Balance b/f (as restated)	554,270	265,756	46,266	38,525	600,536	304,281
Additional charge to the Comprehensive Income & Expenditure Account – IAS19	(83,928)	13,802	(604)	(434)	(84,532)	13,368
Actuarial (gains) / losses (as restated)	(230,518)	274,712	(4,763)	8,175	(235,281)	282,887
BALANCE CARRIED FORWARD	**239,824**	**554,270**	**40,899**	**46,266**	**280,723**	**600,536**

47(h). Actuarial Gains and Losses

These are analysed into:

Experience gains and losses relating to assets – the difference between the actual and expected return on pension scheme assets (see Note 47i):

- Experience gains and losses relating to liabilities – the difference between the actual and expected costs on pension scheme obligations (see Note 47i):
- Changes in assumptions underlying the present value of the scheme liabilities – these include financial, mortality and commutation assumptions (see Note 47k).

The summarised in year charge and cumulative charges for the last 5 years are given below.

	Local Government Pension Scheme		Teachers Unfunded Liabilities		Total	
	£000	£000	£000	£000	£000	£000
	In Year	Cumulative	In Year	Cumulative	In Year	Cumulative
2006-07	-	-	-	-	-	-
2007-08	-	-	-	-	-	-
2008-09	(234,959)	(234,959)	884	884	(234,075)	(234,075)
2009-10	(274,712)	(509,671)	(8,175)	(7,291)	(282,887)	(516,962)
2010-11	230,518	279,153	4,763	(2,528)	235,281	281,681

47 (i). History of experience gains and losses

Local Government Pension Scheme	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000
Fair value of assets	722,948	702,484	511,492	-	-
Present value of liabilities	(962,772)	(1,256,754)	(777,247)	-	-
Experience Gains / (Losses) on Assets	(19,935)	153,831	572,214	-	-
Expressed as a % of Scheme Assets	(2.76%)	21.9%	111.9%	-	-
Experience Gains / (Losses) on Liabilities	151,233	-	(826,936)	-	-
Expressed as a % of Scheme Liabilities	15.7%	-	(106.4%)	-	-
Teachers' Unfunded Liabilities					
Present value of liabilities / Scheme Deficit	(40,899)	(46,266)	(38,525)	-	-
Experience Gains / (Losses) on Liabilities	2,085	1,061	(137)	-	-
Expressed as a % of Scheme Liabilities	5.1%	2.3%	0.4%	-	-

As Cheshire East Borough Council only came into existence on 1 April 2009 there are no comparative figures for 2006-07 to 2007-08.

47 (j). Employer's Contributions for 2011-12

The Actuary has estimated that the total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 are £27.2m.

47 (k). Actuarial Assumptions

	Local Government Pension Scheme 31 Mar 2011	Local Government Pension Scheme 31 Mar 2010	Teachers Unfunded Liabilities 31 Mar 2011	Teachers Unfunded Liabilities 31 Mar 2010
Long-term expected rate of return on assets				
Equity Investments	7.5%	7.8%		
Bonds	4.9%	5.0%		
Property	5.5%	5.8%		
Cash	4.6%	4.8%		
Weighted expected return	**6.8%**	**7.1%**		
Financial Assumptions				
Rate of inflation	2.8%	3.8%	2.8%	3.8%
Rate of increase in salaries	5.1%	5.3%	n/a	n/a
Rate of increase in pensions	2.8%	3.8%	2.8%	3.8%
Rate for discounting liabilities	5.5%	5.5%	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum				
Pre April 2008 Service	50%	50%	50%	50%
Post April 2008 Service	75%	75%	75%	75%
Mortality Assumptions				
Longevity at 65 for current pensioners				
Men	22.9 years	20.8 years	22.9 years	20.8 years
Women	25.7 years	24.1 years	25.7 years	22.3 years
Longevity at 65 for future pensioners				
Men	24.9 years	22.3 years	n/a	n/a
Women	27.7 years	25.7 years	n/a	n/a

48. Contingent Liabilities and Contingent Assets

Contingent Liability

Waste Management Private Finance Initiative Contract

Cheshire East and Cheshire West and Chester Councils have been progressing a Cheshire Waste Management Private Finance Initiative (PFI). A project inherited from Cheshire County Council, the contract would manage the treatment of residual municipal solid waste over the next 25 years to meet required landfill diversion and recycling targets.

On 20 October 2010, Defra confirmed by a letter that PFI credit support for the project was being withdrawn. At the time the project was only 10-12 weeks from financial close having closed the

dialogue with the final two bidders, called for final tenders and appointed a provisional preferred bidder.

The authorities sought Counsel's opinion and were advised that there were "reasonably good grounds for challenging Defra's decision". Having considered information from Defra the Councils decided to issue Judicial Review proceedings against Defra. The Court granted permission for a hearing, with the date subsequently fixed for 16/17 June 2011 at the High Court in Manchester.

If the case is lost and there is no PFI funding, the scheme will be unaffordable and capital expenditure incurred relating to the project should be written off against service expenditure in the Income and Expenditure Statement.

The timing of a decision is uncertain. In the light of Counsel's opinion on the merits of the authorities' legal challenge, it is considered reasonable to have capitalised project expenditure up to 31 March 2011 and if alternative treatment is subsequently required, make any necessary adjustments in the year the decision is made.

Contingent Assets

The Council has outstanding claims in respect of VAT paid to HM Revenues and Customs (HMRC) on fees and charges levied on sports and cultural activities that should have been exempt supplies in accordance with EU law over the period 1989 –1996. The total value of the outstanding claims is £0.7m plus interest, as reduced by fees payable to PricewaterhouseCoopers (PwC), who were responsible for completing the claims. The Council also has claims lodged with HMRC for VAT paid on Trade Waste Charges which have now been confirmed as outside the scope of VAT. The total value of these claims is £2.0m.Due to the uncertainty over both the likelihood of the final settlement by HMRC and its value, none of this potential income has been included in the 2010/11 accounts.

It should also be noted that PwC have lodged claims on the Council's behalf for the payment of compound interest rather than simple interest on these claims, and those paid out in 2009-10 and 2010-11. The issue of whether compound interest is payable is the subject of current litigation, but is unlikely to be resolved in the near future. However, further income would be due to the Council should the decision to pay compound interest fall against HMRC.

49. Cheshire Shared Services

Shared Services Agreement with Cheshire West and Chester Council

At Local Government Review the Council entered into an agreement with Cheshire West and Chester Council to deliver over 30 services via a shared services agreement. Services which could be operated as part of a shared services arrangement were determined and assessed using the criteria of maintaining operational efficiency and identifying those services that utilised a single infrastructure that could not be disaggregated economically or in the short term. Many of these services have since transitioned to alternative separate arrangements put in place by each Council leaving about ten shared services to continue in the longer term.

The Joint Committee oversees the management of the services that are provided on a Cheshire wide basis on behalf of Cheshire East and Cheshire West and Chester Council's to ensure effective delivery of such services and to provide strategic direction.

The Joint Officer Board supports the Joint Committee and is responsible for the governance and decision making of Cheshire Shared Services and is chaired by Julie Gill, Director of Resources, Cheshire West and Chester and Lisa Quinn, Borough Treasurer and Head of Assets, Cheshire East.

Shared Service Agreements underpin the legal agreement between Cheshire West and Chester Council and Cheshire East Borough Council for sharing arrangements. These set out the basis for services to be provided, identify which Council is hosting the service, the percentage of costs to be borne by each Council and the general reporting and performance management requirements. The roles and responsibilities of staff seconded to the host authority are contained within these agreements.

Initial Business Plans and Service Delivery Statements were developed for each Shared Service. These set out the scope, agreed objectives and expected outcomes of the shared service arrangements. Shared Service Business Plans and performance against them is regularly reviewed to ensure that they remain current and that the service delivered continues to meet the needs of the two councils.

Services hosted by Cheshire East

The following services form part of the core shared services and are hosted by Cheshire East

Service	East Recharge %	West Recharge %
Farms Estates	50.00%	50.00%
International Unit	50.00%	50.00%
Drug & Alcohol Team	50.00%	50.00%
Highway Maintenance Contract Management	54.00%	46.00%
Youth Offending Team	47.00%	53.00%

Services hosted by Cheshire West and Chester

The following services form part of the core shared services and are hosted by Cheshire West and Chester:

Service	East Recharge %	West Recharge %
HR & Finance	50.00%	50.00%
ICT	50.00%	50.00%
Civil Protection	50.00%	50.00%
Occupational Health	50.00%	50.00%
Archives	50.00%	50.00%
Libraries	50.00%	50.00%
Emergency Duty Team	52.00%	48.00%
Rural Touring Network	51.00%	49.00%
Approved Mental Health Professional	50.00%	50.00%
Autism Support	47.00%	53.00%
Sensory Impaired Services	52.00%	48.00%
Urban Traffic Control	44.00%	56.00%
Integrated Transport Services – Transport	51.00%	49.00%
Integrated Transport Services – Community Services	51.00%	49.00%
Integrated Transport Services – Looked After Children	51.00%	49.00%
Integrated Transport Services – Home to School	51.00%	49.00%
Student Finance	50.00%	50.00%
CBS Supplies	50.00%	50.00%

The costs of Cheshire Shared Services relating to Cheshire East and Cheshire West and Chester are contained in the Income and Expenditure Account. The costs shown below are analysed by BVACOP.

2009/10 £000		2010/11 £000
4,931	Children's and Education Services	18,893
2,040	Adult Services	4,601
490	Central Services to the Public	278
1,938	Cultural, Environmental and Planning Services	3,797
31,855	Highways, Roads and Transport Services	21,204
-	Housing Services	1,098
15,502	Other Operating Income and Expenditure	244
56,756	TOTAL	**50,115**

The total costs relating to the provision of Shared Services for Cheshire East and Cheshire West and Chester Councils are set out below:

Service	East Costs 2010-11 £000	West Costs 2010-11 £000	Total 2010-11 £000
Hosted East			
Farms Estates	(300)	(281)	**(581)**
International Unit	16	16	**32**
Highway Maintenance Contract	70	60	**130**
Youth Offending Team	511	576	**1,087**
Hosted West			
HR & Finance	1,521	1,521	**3,042**
ICT	4,923	5,433	**10,356**
Civil Protection	189	189	**378**
Occupational Health	46	46	**92**
Archives	267	267	**534**
Libraries	488	488	**976**
Emergency Duty Team	420	387	**807**
Rural Touring Network	16	6	**22**
Autism Support	174	156	**330**
Sensory Impaired Services	57	53	**110**
Urban Traffic Control	366	466	**832**
Integrated Transport Services – Transport	3,098	5,706	**8,804**
Integrated Transport Services – Community Services	1,573	2,063	**3,636**
Integrated Transport Services – Looked After Children	939	827	**1,766**
Integrated Transport Services – Home to School	9,570	7,526	**17,096**
Student Finance	77	77	**154**
CBS Supplies	256	256	**512**
Total Costs	**24,277**	**25,838**	**50,115**

50. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2010-11 financial year and its balance sheet position as at 31st March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those regulations require to be prepared in accordance with proper accounting practices. Thes practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS). Exceptions are made to accepted accounting practice where this is overridden by legislative requirements. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of Non-Current Assets and Financial Instruments.

Expenditure and income are reported in accordance with a total cost basis of accounting. Gross total cost includes all expenditure attributable to the service or activity, including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and depreciation. No categories of income are considered to be abatements of expenditure, and movements to and from reserves are excluded from total cost.

In producing the Statement of Accounts the following accounting concepts are applied:

- **Consistency**
  Cheshire East Borough Council came into existence on 1st April 2009 and has determined its accounting policies based on a review of the policies adopted by the predecessor authorities and consideration of the best approach for the new authority. These accounting policies will be reviewed each year and the impact of any significant change in policies will be declared in the accounting statements so that useful comparisons can be made.

- **Materiality**
  The concept that any omission from, or inaccuracy in, the statement of accounts should not be so large as to affect the understanding of those statements by a reader, either in terms of the nature of the transactions or their value.

- **Going Concern**
  The principle that accounts are always prepared on the basis that the organisation will continue to operate for the foreseeable future. Following Local Government Reorganisation in Cheshire, the Council inherited the assets and liabilities of the district councils of Crewe and Nantwich, Congleton and Macclesfield and a proportion of the assets and liabilities of Cheshire County Council. Cheshire East Borough Council is providing the same services as the demised Councils and therefore the going concern principle still applies.

Changes in Accounting Policies, Changes in Accounting Estimates and Errors

The Code 2010/11, the first to be based on IFRS, specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the Council. The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003.

Under the IFRS based Code, authorities should select accounting policies, and account for changes in accounting policies, changes in accounting estimation techniques and correcting

errors in accordance with International Accounting Standard (IAS) 8, except where interpretations or adaptions to fit the public sector are detailed in the Code.

Changes to accounting policies are applied retrospectively unless the Code specifies transitional provisions that should be followed. Changes for the current reporting period and, where practicable, the changes resulting from retrospective application are disclosed showing the adjustments on each financial statement.

Any changes to accounting estimates are as a result of changes that have occurred in the circumstances on which the estimate was based or as a result of new information or more experience. They do not relate to prior periods and are not the correction of an error.

Errors may occur in the recognition, measurement, presentation or disclosure of elements of the financial statements. In line with the Code, material prior period errors would be corrected by retrospective restatement. Prior period errors are material if individual or collective misstatement or omission could influence the decisions or assessments of users taken on the basis of the financial statements. There are no such material errors that have been restated in 2010/11.

Accruals of Income and Expenditure

Income and expenditure is included in the accounts on an accruals basis, apart from housing benefit payments and minor cash income, which are shown in the accounts when the expenditure is incurred or the income is received. In particular:

- Sales, fees, charges and rent due from customers are accounted for as income at the date the Council provides the relevant goods and services;

- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- Works are charged as expenditure when they are completed. Prior to this they are carried as work in progress on the Balance Sheet;

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;

- The Council is a billing authority and collects National Non Domestic Rates (NNDR) under what is in substance an agency agreement with the Government for the collection of business rates. The same principle applies for Council Tax collected on behalf of the precepting bodies; Cheshire Police, Cheshire Fire Authority and Parish Councils. The income collected on an agency basis is not the income of the billing authority and is not included in the Comprehensive Income and Expenditure Statement;

- Where income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The Council's policy is to

provide in full for the non-payment of all debts over 6 months old unless a payment arrangement is in place or the debt is otherwise secured;

- Where income has been received in the year in relation to activities to be carried out in the following financial year, a receipt in advance is recorded in the Balance Sheet;

- Where payment has been made in relation to activities to be carried out in the following financial year, a payment in advance is recorded in the Balance Sheet;

- Severance costs arising from redundancies agreed on or before Balance Sheet date are accrued in the accounts;

- Income and expenditure are credited and debited to the relevant Income and Expenditure Account, unless they properly represent capital receipts or capital expenditure.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions that are immediately repayable without penalty. Cash equivalents are highly liquid investments held at the balance sheet date that are readily convertible to known amounts of cash on the balance sheet date with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Charges to Revenue for Non-Current Assets

Service Income and Expenditure Accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and Impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off ; and
- Amortisation of intangible assets attributable to the service

When setting the amount of Council Tax that it needs to raise, the Council does not need to raise an amount in respect of depreciation, impairment losses or amortisations. It does, however, need to raise an amount in respect of a contribution towards reducing the amount of borrowing that it has outstanding.

The Council finances a substantial proportion of its capital investment projects through borrowing. Outstanding borrowings are equal to the Council's Capital Financing Requirement (CFR). The CFR represents the Council's past capital expenditure which has not been, or will not be, financed directly from external income, capital receipts or by revenue contribution and which therefore needs to be charged to the Comprehensive Income and Expenditure Account in future years. The CFR is determined by reference to the Council's Balance Sheet at each year end. The provision for the repayment of debt that is charged to the Comprehensive Income and Expenditure Statement each year is determined in accordance with the policy set down in Note 6, 'Statutory Provision for the Repayment of Debt' in the Notes to the Financial Statements.

This charge, in respect of redeeming the outstanding borrowing, replaces the charge made to the Comprehensive Income and Expenditure Statement, in respect of depreciation. This is achieved by means of an adjustment in the Movement in Reserves Statement. This adjustment, which is made between the Capital Adjustment Account and the General Fund, is equal to the amount of provision for the redemption of debt that needs to be charged for the year, less the amount of depreciation actually charged for the year.

Collection Fund

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR).

Up to 2008-09 the Council Tax income included in the Income and Expenditure Account (per the SORP) was the amount that was required to be transferred to the General Fund under regulations. From 1st April 2009 the amount included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the two amounts is taken to a Collection Fund Adjustment Account.

Up to 2008-09 NNDR taxpayers' debtor and creditor balances and an allowance for doubtful debts were included on the Council's Balance Sheet. From 1st April 2009 the amount included in the Council's Balance Sheet is the amount of cash collected from NNDR taxpayers (less the amount retained in respect of a cost of collection allowance) that has not yet been paid to the Government or has been overpaid to the Government on the Balance Sheet date.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

Short-term compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Compensated absences may be accumulating or non-accumulating.

Short-term accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full (e.g. annual leave, and flexi leave). An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Short-term non-accumulating absences are those that cannot be carried forward for use in future periods if the current period entitlement is not used in full. Sick leave, maternity leave, paternity leave and jury service are non-accumulating. Non-accumulating compensated absences shall be recognised when the absence occurs.

Termination Benefits

Termination benefits are often lump-sum payments, but also include enhancement of retirement benefits, and salary until the end of a specified notice period if the employee renders no further service that provides economic benefit to the Council. They are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy.

Termination Benefits are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Most employees of the Council participate in one of two pension schemes, which meet the needs of employees in particular services (further details are provided in Note 47 to the financial statements). Both schemes provide final salary defined benefits to members (retirement lump sums and pensions) based on membership earned during the time that the employee was a member of the scheme.

Local Government Pension Scheme (LGPS)

All employees (other than teachers) and Councillors, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The scheme, known as the Cheshire Pension Fund, is administered by Cheshire West and Chester Council.

Local authorities are required to implement International Accounting Standard 19 (IAS19) in full. The accounts have therefore been prepared in accordance with CIPFA’s guidance on Accounting for Retirement Benefits. The Local Government Pension Scheme is accounted for as a defined benefit scheme:

- The liabilities of the Cheshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on actuarial assumptions (as detailed in Note 47 to the financial statements).

  Those liabilities are discounted to their value at current prices, using a discount rate which is based on the indicative rate of return on a high quality corporate bond at each year end as prescribed in IAS19. For 2010-11 this rate was 5.5%, (5.5% in 2009-10).

- The assets of the Cheshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value as follows:

- unquoted securities – professional estimate
- quoted securities – current bid price
- unitised securities – current bid price
- property – market value

The change in the net pensions liability is analysed into seven components:

- **current service cost** – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

- **past service cost** – the increase in liabilities arising from current year decisions the effect of which relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- **expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **gains and losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, credited or debited to the the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, debited to the Pensions Reserve;

- **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Statutory provisions limit the Council to raising Council Tax to cover the cash amounts payable by the Council to the pension fund in the year.

Teachers' Pensions Scheme (TPS)

This is a contributory scheme administered by Capita Teachers' Pensions (TP) on behalf of the Department for Education (DfE). Although the scheme is unfunded, the Government has established a notional fund as the basis for calculating employers' contributions. The Council contributes at rates determined by the DfE. The arrangements for the TPS mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme; with no liabilities for future payments or benefits recognised in the Balance Sheet. The Children's Service within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the scheme in year.

In addition, the Council is responsible for any payments relating to early retirements outside the standard terms of the scheme. This part of the scheme is accounted for on a defined benefit basis using the same policies that are applied to the Local Government Pension Scheme.

Financial Instruments

Financial Liabilities

Financial liabilities (i.e. long-term loans raised by the Council) are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the Effective Interest Rate (EIR) for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Repurchase of Borrowing

Premiums and discounts arise when external loans are repaid prematurely by the Council. Premiums arise when the rate of interest paid on the loan repaid early is in excess of current long term interest rates. Conversely, discounts arise when the rate of interest paid on the loan repaid early is below the level of current long term interest rates.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council's policy is that any premiums are charged to the General Fund balance over the shorter of the remaining life of the loan repaid early or over 10 years. Discounts are credited to the General Fund over the shorter of the remaining life of the loan repaid or 10 years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types: loans and receivables; and available-for-sale assets.

Loans and Receivables are assets that have fixed or determinable payments but are not quoted in an active market. Examples include fixed term money market deposits, instant access accounts and call accounts. They are shown on the Balance Sheet initially at fair value, then subsequently at amortised cost using the Effective Rate of Interest method. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where the value of a loan and receivables financial asset is deemed to be impaired, then the value of the asset is written down to its recoverable amount. The amount of the write down is charged in full to the Comprehensive Income and Expenditure Statement in the year the impairment is recognised. Where there is a revision to the value of the asset previously impaired then adjustments are made to the value of the asset and to the Comprehensive Income and Expenditure Statement in the year in which the revision is made.

The interest credited to the Comprehensive Income and Expenditure Statement in respect of loans and receivables is equal to the coupon rate of interest on the deposit/account

Soft Loans are loans made to voluntary organisations or other bodies, at less than market interest rates. When a Soft Loan is made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the loan, resulting in a lower value for the loan being shown on the balance sheet. Interest is then credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement each year at a higher effective rate of interest than the rate receivable from the voluntary or other organisations, with the difference serving to increase the value of the loan on the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year so the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement. The Council operates a de minimis level of £250,000 for accounting for soft loans and consequently loans below this level are not written down on the balance sheet to reflect the interest foregone.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets are financial instruments that have a quoted market price and/or do not have fixed or determinable payments. Examples of available for sale assets used by the Council are UK Government bonds (gilts) and certificates of deposit (CDs). They are initially measured and carried at fair value. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the bid or market price

- other instruments with fixed and determinable payments – discounted cash flow analysis

- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of likelihood arising from a past event that payments due under the contract will not be made or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

During the year surplus money is invested and the interest earned credited to the Comprehensive Income and Expenditure Account. Interest is paid to Cheshire West and Chester in relation to balances on the Insurance and Relocation Reserves which are managed by Cheshire East on behalf of the two authorities. Interest is also credited to schools on unspent balances held.

The accounting policy for interest payable on financial liabilities and interest receivable on financial assets is included in the accounting policies on financial liabilities and financial assets respectively.

Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation

and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where a capital grant or contribution has been received, and conditions remain outstanding at the Balance Sheet date, the grant or contribution is recognised as part of the Capital Grants Receipts in Advance. Once the condition has been met, the grant or contribution will be transferred from the Capital Grants Receipts in Advance and recognised as income in the Comprehensive Income and Expenditure Statement.

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution shall be transferred to the Capital Grants Unapplied Account, reported in the Movement in Reserves Statement. When the expenditure is incurred, the grant or contribution shall be transferred to the Capital Adjustment Account

Intangible Assets

Intangible assets are assets that do not have physical substance but are separately identifiable and controlled by the Council (e.g. software licences) as a result of past events and it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Recognition and Measurement

An Intangible fixed asset is recognised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Expenditure on such assets is capitalised in situations where the software costs are more than £10,000 and will bring benefits to the Council for more than one financial year. Expenditure on intangible assets costing less than £10,000 is charged in full to the Comprehensive Income and Expenditure Statement in the year that it is incurred.

Internally generated assets may be recognised subject to criteria being met. They can be capitalised when it is demonstrable that the project is technically feasible and is intended to be completed, with adequate resources being available, and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase.

Amortisation

Expenditure on intangible assets is written down (amortised) to the Comprehensive Income and Expenditure Account on a straight line basis over the estimated economic life of the asset. The estimated economic life of a licence is assumed to be the shorter of 5 years or the period for which the licence has been granted.

The values of intangible assets are reviewed at the end of each financial year for evidence of reductions in value. Impairment of intangible assets is treated in the same way as impairment of tangible assets. When an asset is disposed of or derecognised, the value of the asset is recognised in the surplus or deficit on the Provision of Services.

Expenditure on intangible assets is written down (amortised) to the Comprehensive Income and Expenditure Account on a straight line basis over the estimated economic life of the asset. The estimated economic life of a licence is assumed to be the shorter of 5 years or the period for which the licence has been granted.

Interest in Companies and Other Entities

The Council has an interest in Connexions Cheshire and Warrington, a controlled company set up by Cheshire County Council to promote employment and learning opportunities for young people across Cheshire. The ownership ratio was originally equal thirds but changed on 1st October 2010 to become 37.5% for Cheshire East Borough Council, 37.5% for Cheshire West and Chester Council, and 25% for Warrington Borough Council. The results of the company indicate that there were no material transactions to report and there is no requirement to produce group accounts for the year.

Financial Guarantees

As part of the agreement to outsource the Youth Service to Connexions, Cheshire East and Cheshire West and Chester Councils have agreed to act as guarantor for any pension liability of the company. This is treated as a contingent liability in the accounts and further details are provided in Note 48.

Inventories and Work in Progress (Contracts)

Inventories are valued at the lower of cost or net realisable value. Stocks of stationery (apart from those held by Central Stores) are not included in the Balance Sheet since such stocks are incidental and deemed not to be material to the accounts.

Work in Progress (Contracts) applies to construction that the Council is undertaking for customers – not assets under construction – where the Council is the customer rather than contractor. The Council doesn't act as contractor so this is not applicable.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Recognition and Measurement

Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Jointly Controlled Operations and Jointly Controlled Assets

Cheshire Shared Services – Shared Services Agreement with Cheshire West and Chester Council

At Local Government Review the Council entered into an agreement with Cheshire West and Chester Council to deliver over 30 services via a shared services agreement. Services which could be operated as part of a shared services arrangement were determined and assessed using the criteria of maintaining operational efficiency and identifying those services that utilised a single infrastructure that could not be disaggregated economically or in the short term.

The structure of the Shared Services Arrangement is that of a jointly controlled operation in accordance with International Accounting Standard (IAS) 31. Each authority accounts directly for its part of the assets, liabilities, income, expenditure and cash flows held within or arising from the structure. Where expenditure has been recharged to the non host authority the analysis of net charge has been reflected in the accounts on the same subjective analysis as costs incurred directly.

Landfill Allowance Trading Scheme (LATS)

The Landfill Allowance Trading Scheme will operate for 15 annual compliance periods and runs from 1 April 2005 to 31 March 2020. The scheme allocates tradable landfill allowances to each waste disposal authority in England. The Council can either buy, sell or carry forward landfill allowance depending on usage requirements above or below the annual capped allowance limit from or to another waste disposal authority. Allowances allocated by the Department for Environment, Food and Rural Affairs (DEFRA) or purchased from another authority are classified as current assets, measured at the weighted average value, detail is in Note 31.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP).

The total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation,

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties,

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Net Expenditure on Continuing Services.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition and Measurement

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred

The Council applies capital expenditure de minimis levels of £10,000.

Assets are initially measured at cost, comprising the purchase price, and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost;

- All other Property, Plant and Equipment assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value). If there is no market-based evidence of fair value, an estimated fair value will be made using a depreciated replacement cost approach or depreciated historical cost for non-property assets that have short useful lives, low values, or both. For vehicles ,plant, furniture and equipment the Council considers depreciated historical cost to be an adequate substitute for fair value.

The values of properties used in the accounts are based on certificates issued by the Assets Manager, Daniel and Hulme Property Consultants (RICS), Rory Mack Associates, and the District Valuation Service and the Farms Estate Shared Service manager.

Accounting practice requires all properties to be revalued at least once every five years. All former district properties were revalued in 2009-10, and other operational property were revalued in 2010-11 as part of the transition to International Financial Reporting Standards. Any increases in the valuation of properties since April 2007 arising from general price level movements are matched by corresponding credits to the Revaluation Reserve. Any revaluation increases/decreases that took place prior to 1 April 2007 are recorded in the Capital Adjustment Account.

Gains recognised on revaluation of Property, Plant and Equipment are matched by credits to the Revaluation Reserve to recognise an unrealised gain, unless the asset has previously been subject to an impairment loss or revaluation decrease charged to Surplus or Deficit on the Provision of Services. In this case the gain is credited to the Comprehensive Income and Expenditure Account.

Where a revaluation loss occurs as a result of revaluation to account for downward changes in market value, the decrease is recognised in the Revaluation Reserve to the extent the asset had previously been revalued upwards and thereafter in the surplus or deficit on the Provision of Services.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as below:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The following strict criteria have to be met before an asset can be classified as held for sale.

- The asset must be available for immediate sale in its present condition and is being marketed for sale at a price reasonable in relation to its fair value;
- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Capital Receipts

Capital receipts are the amounts derived from the sale of capital assets. The Capital Receipts policy is to ensure that capital receipts are used in the most beneficial way to support corporate priorities and strategic objectives of the Council. The policy is intended to separate the use of resources from the means of acquiring resources therefore supporting the strategic approach to capital investment. This will mean that all receipts will be pooled centrally and allocation to capital projects will be via the Capital Asset Group. The Council has implemented a Disposals Policy as part of the Asset Management Plan, where property assets are not meeting the Council's objectives, their retention will be subject to asset challenge and a process of rationalisation and disposal for surplus/under-performing property will be adopted. No de minimis limit is applied to capital receipts.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

- investment properties carried at fair value; and

- land where it can be demonstrated that the asset has an unlimited useful life (excluding land subject to depletion, i.e. quarries and landfill sites).

Depreciation is calculated on the following bases:

- dwellings and other buildings (excluding land – straight-line allocation over the useful life of the property as estimated by the valuer;

- vehicles, plant, furniture and equipment – a straight line allocation over the useful life of the asset, as advised by a suitably qualified officer;

- infrastructure – straight-line allocation over 40 years.

No depreciation charges are made for land, assets under construction and community assets. Depreciation charges on non-operational assets are charged to the Comprehensive Income and Expenditure Account as non-distributed costs.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The requirement for componentisation for depreciation purposes only applies to enhancement and acquisition expenditure incurred, and revaluations carried out, from 1st April 2010.As depreciation is not charged in the first year for additions and revaluations, the first charge based on the newly identified component will be made in 2011/12.

The Council has determined a de-minimis asset value of £1.9 million as a basis for componentising depreciation charges.

Private Finance Initiative (PFI) and Similar Contracts

PFI and Similar Contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide services passes to the PFI contractor. The Council is deemed to control the services that are provided under its PFI scheme and, as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the fixed assets used under the contracts on the Balance Sheet.

The Council is party to one PFI contract, which also involves Cheshire West and Chester Council, in respect of Extra Care Housing which terminates in 2039.

The original recognition of these assets has been balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The Property, Plant and Equipment recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council. The amounts payable to the PFI operator each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;

- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line on the Comprehensive Income and Expenditure Statement;

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Financing and Investment Income and Expenditure line on the Comprehensive Income and Expenditure Statement;

- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator;

- operator lifecycle replacement costs – recognised as Property, Plant and Equipment on the Balance Sheet.

Pooled Budgets

The Council registered a partnership arrangement under Section 31 of the Health Act 1999 to commission services to Adults with Learning Difficulties within Cheshire. The contributions to the partnership are in the following proportions:

Cheshire East Borough Council	61%
Central & Eastern Cheshire PCT	39%

This agreement ran until 31 March 2011 at which point the partnership was terminated and considerations will be made with regard to a one year agreement for 2011/12 and then beyond this around the GP Commissioning Consortia which will replace the Primary Care Trust from 2012/13 onwards.

Provisions

Provisions are made when the Council recognises that it has an obligation as a result of a past event, when it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year when the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and, if no longer required, are reversed and credited back to the Comprehensive Income and Expenditure Statement. Where some or all of the payment required to settle an obligation is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled. Details relating to the Council's provisions are provided in Note 24.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies and are split between usable and non-usable. Usable Reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use. Unusable reserves cannot be used to provide services; this category includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve).

Resources set aside for specific purposes or to meet predicted liabilities are held as "earmarked reserves". The Council also sets aside sums as a more general reserve, called the General Fund, to cover the impact of unexpected events or emergencies or provide a working balance to help manage the effect of uneven cash flows. The Council seeks to maintain the General Fund at a level consistent with a detailed assessment of risk as set out in its Reserves Strategy. This assessment is updated annually as part of the Council's Medium Term Financial Planning.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting process for tangible fixed assets (Revaluation Reserve and Capital Adjustment Account) and retirement benefits (Pension Reserve). These are in effect accounting reserves rather than cash reserves.

Revenue Expenditure funded from Capital Resources under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so that there is no impact on the level of Council Tax.

Single Status

Costs relating to 2010-11 pay have been included in the appropriate service line Costs relating to back pay for earlier years from 2006-07 to 2009-10 have been included in Other Operating Income and Expenditure. However, these costs have been transferred to an Equal Pay Back Pay Reserve until such time as the payments are made.

VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them. At the year end any amounts outstanding are represented by a debtor or creditor on the balance sheet.

51 Authorised for Issue Date

The accounts were authorised for issue by Lisa Quinn, MAAT,CPFA Borough Treasurer and Head of Assets on 30th June 2011.

Collection Fund and Notes 2010/11

Collection Fund Revenue Account

2009/10 £000	2009/10 £000		2010/11 £000	2010/11 £000
		Expenditure		
205,563		Precepts (Note 2)	210,244	
		Business Rate:		
123,141		Payment to National Pool	120,415	
567		Cost of Collection	562	
(313)		Payment of Bad and Doubtful Debts	3,754	
	328,958			334,975
		Income		
185,990		Income from Council Tax	193,537	
19,254		Transfers from General Fund: Council Tax Benefits	20,461	
123,708		Income from Business Rates	120,977	
900		Contribution towards 2008/09 Deficit	0	
	329,852			334,975
	894	**SURPLUS / (DEFICIT) FOR YEAR**		**0**
	(888)	BALANCE B/FWD 1 APRIL 2010		6
	6	**BALANCE C/FWD 31 MARCH 2011**		**6**

1. Business Rates

2009/10		2010/11
£294.004m	a) Total Rateable Value at 31 March 2011	£336.731m
48.5p	b) Rate in the Pound for Year	41.4p
48.1p	c) Small Business Rate Relief	40.7p

2. Precepts and Demands

2009/10 £000		2010/11 £000
175,853	a) Cheshire East Council (Including Parish precepts)	179,618
20,369	b) Cheshire Police Authority	20,982
9,341	c) Cheshire Fire Authority	9,644
205,563		**210,244**

In England, billing authorities act as agents, collecting council tax on behalf of the major preceptors and itself. Council tax transactions and balances therefore need to be allocated between the billing authority and major preceptors.

This means that Cheshire East Borough Council has to remove from the Income and Expenditure Account the share of the demand on the Collection Fund and any surplus or deficit in respect of the other major preceptors.

Similarly on the Balance Sheet, the Borough Council has to remove the share of assets and liabilities that are in respect of the other major preceptors, showing only the assets and liabilities that solely belong to them.

Consequently the other major preceptors will show their share of the demand on collection, surplus or deficit on the fund, assets and liabilities within their own Income and Expenditure Accounts and Balance Sheets.

Collection Fund Balance Sheet

2009/10 £000		2010/11 £000
	Current Assets	
12,804	Debtors (Note 1)	17,959
12,804		**17,959**
	Current Liabilities	
3,380	Creditors (Note 2)	1,388
6	Fund Balance	6
9,418	Cash Overdrawn	16,565
12,804		**17,959**

1. Debtors

2009/10 £000		2010/11 £000
5,009	Government Departments (net of impairment)	8,786
1,142	Other (Net of Impairment)	1,057
6,653	Council Tax Payers (Net of Impairment)	8,116
14,132		17,959
12,804		**17,959**

2. Creditors

2009/10 £000		2010/11 £000
3,380	Council Tax Payers	1,388

Notes to the Collection Fund Balance Sheet

1. General

These Accounts represent the transactions of the Collection Fund that are required by Section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992).

2. Business Rates

The Council collects Business Rates (National Non Domestic Rates) for the area based on rateable values multiplied by a national uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of local adult population.

3. Council Tax

Council Tax was introduced by the Local Government Finance Act 1992 to replace Community Charge. It is a property based tax. Each relevant property is allocated a Council Tax Band, A to H, upon valuation. The Billing Authority levies a Council Tax amount for each band within each area of the Borough, by reference to the demands made upon it from its precepting Authority's own demands, and the Council Tax Base. The Council Tax Base is the number of chargeable dwellings in each valuation band converted to an equivalent number of Band D dwellings.

Band	Valuation of Property at 1 April 1991	Cheshire East	Fire	Police	Council Tax Payable
		£	£	£	£
A	Up to £40,000	810.89	44.29	96.35	**951.53**
B	£40,001 to £52,000	946.04	51.67	112.41	**1,110.12**
C	£52,001 to £68,000	1,081.19	59.05	128.47	**1,268.71**
D	£68,001 to £88,000	1,216.34	66.43	144.53	**1,427.30**
E	£88,001 to £120,000	1,486.64	81.19	176.65	**1,744.48**
F	£120,001 to £160,000	1,756.94	95.95	208.77	**2,061.66**
G	£160,001 to £320,000	2,027.23	110.72	240.88	**2,378.83**
H	Over £320,000	2,432.68	132.86	289.06	**2,854.60**

4. Council Tax Base Calculation

The Council Tax base is the total number of properties in each band multiplied by a factor to convert the number to a Band D equivalent adjusted for discounts: £145,171.04 for 2010/2011.

BAND	Number of Properties after Discount	Ratio to Band D	Band D Equivalent	Adjustment for 99.0% Collection Rate
DIS	91.75	5/9th	50.97	
A	23,415.75	6/9th	15,610.50	
B	29,314.75	7/9th	22,800.36	
C	28,986.25	8/9th	25,765.56	
D	22,297.44	1	22,297.44	
E	17,284.50	11/9th	21,125.50	
F	12,033.75	13/9th	17,382.08	
G	11,130.00	15/9th	18,550.00	
H	1,527.50	18/9th	3,055.00	
TOTAL	**146,081.69**		**146,637.41**	**145,171.04**

Annual Governance Statement

The Annual Governance Statement is available as a separate document and will be included in the final audited Statement of Accounts .

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Borough Treasurer and Head of Assets;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts.

The Borough Treasurer and Head of Assets Responsibilities

The Borough Treasurer and Head of Assets is responsible for the administration of the financial affairs of the Council and for the preparation of the authority's Statement of Accounts which, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to present a true and fair position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this Statement of Accounts, the Borough Treasurer and Head of Assets has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Borough Treasurer and Head of Assets has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- ensured that accurate representations have been made to the Council's Auditor, all relevant records made available and any matters that could have a material effect on the financial statements have been disclosed.

Borough Treasurer and Head of Assets Certificate

I certify that the Statement of Accounts presents a true and fair financial position of Cheshire East Council as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011 and authorise the financial statements for issue on 30th June 2011.

Lisa Quinn MAAT CPFA

Borough Treasurer and Head of Assets for Cheshire East Borough Council

Dated: 30th June 2011

Approval of Accounts

The approval of the audited accounts and the Annual Governance Statement will take place at the Audit and Governance committee on 29 September 2011.

Independent Auditors Report

The External Auditor’s opinion and certificate will be available on completion of the Statement of Accounts audit .

Glossary of Terms

Accounting Period
The period of time covered by the accounts, this is the twelve months commencing on 1st April to 31st March. The 31st March is the end of the accounting period and is the balance sheet date.

Accruals
The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Actuarial Assumptions
Assumptions made by the Pension Fund Actuary in valuing the funds assets and liabilities.

Actuarial Gains and Losses
For a defined pension scheme, the changes in actuarial deficits or surpluses arise because; events have not coincided with the actuarial assumptions made at the last valuation or; the actuarial assumptions have changed.

Actuarial Valuation
An actuary undertakes a valuation by comparing the value of the pension schemes assets with its liabilities. The actuary then calculates how much needs to be paid into the scheme by the employer and members to ensure there will be adequate funds to pay pensioners when they become due.

Actuary
An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the Pension Fund every three years.

Agency Services
These are services we provide to third party on behalf of another organisation.

Amortisation
The process of charging capital expenditure, usually on Property, Plant and Equipment to the accounts over a suitable period of time.

Appropriations
Amounts transferred between the revenue account and revenue or capital reserves.

Area Based Grants
A non-ring fenced general grant with no conditions on use imposed as part of the grant determination ensuring full control over how the funding can be used.

Audit Commission
Statutory body which oversees the conduct of local authority statutory audits.

Average Cost
Where goods such as stocks may be purchased at different times and at different prices, an average cost is calculated to give a value to goods held at the balance sheet date.

Balance Sheet
The balance sheet is a summary of an authority's financial position at the year end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness, and the Long-Term and net current assets employed in its operations, together with summarised information on assets held.

Billing Authority
Cheshire East Council is classed as a billing authority as it has responsibility of collecting the Council Tax and National Non-Domestic rates. It collects the Council Tax on behalf of the Cheshire Police Authority, Cheshire Fire Authority and Parish Councils. It collects the National Non-Domestic rates on behalf of central government.

Budget
A statement of the Council's expected level of service and spending over a set period, usually one year.

Capital Adjustment Account
This account records the consumption of historic cost over the life of the asset and deferred charges over the period that the authority benefits from the expenditure. The account also records the resources set aside to finance capital expenditure

Capital Assets
See Property, Plant and Equipment.

Capital Charges
Charge to service revenue accounts to reflect the cost of Property, Plant and Equipment used in the provision of services.

Capital Expenditure
Expenditure on the acquisition of an item of Property, Plant or Equipment, or expenditure that extends the useful life or operational capability of an existing asset.

Capital Financing
The means by which capital expenditure incurred by the Council is funded. Usually such funding comprises grants, contributions from third parties, receipts from the sale of assets, contributions from Council reserves and borrowing.

Capital Programme
The planned capital schemes the Council intends to carry out over a specified period of time.

Capital Receipts
Proceeds received from the sale of capital assets. The proceeds are set aside in the Capital Reserve in order to repay the Council's borrowings or to finance new capital expenditure.

Capital Reserve
A reserve held to provide an alternative source for financing future capital expenditure, and to ensure some stability in the level of capital programmes that can be financed.

Capitalisation
The classification of expenditure as capital rather than revenue, subject to the condition that the expenditure yields a benefit to the Authority for a period of more than one year.

Cash and Cash Equivalents
This comprises cash in hand, cash overdrawn and short term investments that are readily convertible into known amounts of cash.

Cash Flow Statement
Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes. It provides a link between the Balance Sheet at the beginning of the year, the Comprehensive Income and Expenditure Statement for the year and the Balance Sheet at the end of the year.

CIPFA
The Chartered Institute of Public Finance and Accountancy is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

Collection Fund
This is a statutory fund kept separate from the main accounts of the Council. It records all income due from the Council Tax and National Non-Domestic Rates and details the precept payments due to Cheshire East Council, Cheshire Fire Authority and Cheshire Police Authority.

Community Assets
Assets that the Council intends to hold in perpetuity, that have no determinable finite useful life and in addition may have restrictions on their disposal (e.g. parks and historic buildings).

Comprehensive Income and Expenditure Statement (CI&ES)
This Account sets out the income and expenditure for the all the Council's functions for the financial year, according to the Best Value Accounting service expenditure analysis.

Consistency
The principle that the same accounting treatments are used from year to year so that useful comparisons can be made. Any significant change in policies must be declared in the accounting statements.

Constitution
The fundamental principles by which, the Council operates and is governed.

Contingencies
Sums set aside to meet either the potential costs of activities expected to occur during the year, over and above those costs included in the services budgets, or items which are difficult to predict in terms of financial impact or timing.

Contingent Assets
A Contingent Assets is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

Contingent Liabilities
A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly with the Council's control, or
- A present obligation arising from past events where it is probable that a transfer of economic benefits will be required of the amount cannot be measured with sufficient reliability.

Corporate and Democratic Core
Corporate and Democratic Core represents costs associated with democratic representation and management and corporate management. Democratic representation and management includes all aspects of Members' activities. Corporate management concerns the cost of the infrastructure that allows services to be provided and the cost of providing information that is required for public accountability. Such costs form part of total service expenditure, but are excluded from the costs of any particular service.

Corporate Governance
The authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability.

Council Tax
The means of raising money locally to pay for local authority services. This is a property based tax where the amount levied depends on the valuation of each dwelling.

Creditors
Amounts owed by the Council for goods or services that it has received but for which payment had not been made by 31 March 2011.

Current Assets and Liabilities
Current assets are cash and items that can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term. By convention these items are ordered by reference to the ease that the asset can be converted into cash, and the timescale in which the liability falls due.

Current Service Cost (IAS 19)
Employer pension contributions charged during the year have been removed from the Comprehensive Income and Expenditure Statement and replaced with an amount (i.e. current service cost) which reflects the increase in the scheme liabilities expected to arise from employee membership of the Scheme in the year of account.

Debtors
Amounts owed to the Council at 31 March 2011, where services have been delivered but payment has not been received.

Deferred Benefits
A future benefit which is being paid for in the current accounting period.

Deferred Capital Receipts
Amounts derived from asset sales which will be received in instalments over a period of years.

Deferred Liabilities
An amount already received by the Council that is being credited to the Comprehensive Income and Expenditure Statement over a number of years.

Defined Benefits Pension Scheme
A pension scheme which is constructed to provide pre-determined pension benefits for retired members, with employers' and employees' contribution rates being calculated based on actuarial assumptions.

Delegated Budgets
Budgets for which schools and other services have complete autonomy in spending decisions.

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of an item of Property, Plant or Equipment, whether arising from use, age or obsolescence through technological or other changes. There are different ways to attribute the cost of the asset over its economic life, of which the most common are the straight line method and the reducing balance method.

Straight line depreciation method – the useful life of the asset is estimated, for instance at 3 years for IT equipment or 5 years for a vehicle, and the cost of the asset is divided equally over that number of financial years.
Reducing balance method – the value of the asset is reduced by a fixed percentage each year, reflecting a greater loss of value in earlier years.

Depreciated Historic Cost
The value of an asset shown in the Balance Sheet calculated from the original cost less depreciation to date.

Disposals
Where an asset is disposed of or decommissioned.

Earmarked Reserves
These reserves represent monies set aside that can only be used for a specific usage or purpose.

Exceptional Items
Items that derive from the ordinary activities of the authority and are material in terms of the authority's overall expenditure and not expected to recur frequently or regularly.

Expected Return on Assets (IAS 19 term)
The average rate of return expected on the actual assets held by the scheme.

Extraordinary Items
Material items possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur.

Finance Lease
An arrangement whereby the owner of an asset (the lessor) accepts a rental in return for allowing another party (the lessee) use of an asset for a specified period, such that substantially all of the risks and rewards associated with ownership are transferred to the lessee.

General Fund
The Council's main revenue fund to which all revenue receipts are credited, and from which revenue liabilities are discharged. The movement on the fund in year represents the excess of income over expenditure once notional charges and credits have been replaced by the amounts required to be funded from Council Tax.

General Reserves
These are amounts set aside for use in future years, not earmarked for any specific purpose.

Government Grants
Amounts received from central Government towards funding the Council's activities.

Gross Book Value
The historical cost or the revalued amount of the asset before depreciation

Impairment
A reduction in the value of an item of property, plant or equipment arising from physical damage to the asset, dilapidation or obsolescence.

Income
Amounts which the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, capital receipts, government grants, the precept on Council Tax collection funds, Revenue Support Grant and National Non-Domestic Rates.

Infrastructure Assets
Cheshire East Council's network of roads, pavements, and bridges included within Property, Plant and Equipment**.**

Intangible Assets
Expenditure incurred on those assets that do not have physical substance but which are separately identifiable and provide the Council with a right of use for a period in excess of one year.

Interest Cost (IAS 19 Term)
A financing charge reflecting the increases in the present value of scheme liabilities.

Inventories
Raw materials and consumable goods bought but not yet used at the end of the accounting period.

Investments
Short term investments comprise deposits of temporary surplus funds with banks or similar institutions. Long term investments comprise similar funds held for a period of more than one year.

Landfill Allowance Trading Scheme (LATS)
The scheme allocates tradable landfill allowances to each waste disposal authority in England and authorities can buy, sell or carry forward landfill allowances depending on usage requirements.

Leasing
A method of acquiring the use of a non-current asset by paying a rental for a specified period of time, rather than purchasing it outright.

Local Authority Business Growth Incentive Scheme (LABGI)
The Local Authority Business Growth Incentives Scheme (LABGI) provides an incentive for local authorities to promote economic growth in the area by allowing them to retain a proportion of any increase in business rates revenues.

Local Public Service Agreement (LPSA)
Government initiative whereby demanding performance targets are set to deliver improvements for local people through partnerships between the Council and other organisations.

Long Term Borrowing
The main element of long term borrowing comprises loans that have been raised to finance capital expenditure projects.

Market Value
The monetary value of an asset as determined by current market conditions at the Balance Sheet date.

Materiality
The concept that any omission from or inaccuracy in the statement of accounts should not be so large as to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP)
The minimum amount (as laid down in statute) that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

Movement in Reserves Statement (MiRS)
This shows the movement in the year on the different reserves held by the Council, analysed into usable and unusable reserves.

National Non-Domestic Rate
A standard rate levied by Government on all properties used for commercial purposes, which cannot be increased by more than the level of the Retail Price Index (RPI). The rates are collected on behalf of the government by the Council, and are then redistributed nationally on the basis of resident population.

Net Book Value
The amount at which assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost
The estimated cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt
This comprises short term investments plus cash in hand less cash overdrawn and long term borrowing.

Net Realisable Value
The expected proceeds from the sale of an asset when sold on the open market between a willing buyer and a willing seller less all the expenses incurred in selling the asset.

Net Worth
The total value of an organisation expressed as total assets less total liabilities.

Non Distributed Costs
Costs which cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.

Surplus Assets
Property, plant and equipment held by the Council which are not currently used in the provision of Council services.

Operating Lease
An arrangement similar to a finance lease but where the risks and rewards associated with ownership remains with the lessor.

Past Service Cost (IAS 19 term)
The increase in the scheme liabilities arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Prepayments
Amounts paid by the Council in 2010-11 that related to goods and services not received until 2011-12.

Prior Year Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include minor corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)
A means of securing new assets and associated services in partnership with the private sector.

Projected Unit Method (IAS 19 term)
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Property, Plant and Equipment
An asset which is intended to be in use for several years e.g. land, a building, or a vehicle.

Provisions
Amounts set aside to meet costs that are likely or certain to be incurred but where the amount of cost or timing of payment is uncertain.

Rateable Value
The annual assumed rental value of a property that is used for business purposes.

Receipts in Advance
Amounts received by the Council during 2010-11 relating to goods or services delivered in 2011-12.

Related Party
A person or organisation which has influence over another person or organisation.

Reserves
Specific amounts set aside for future policy purposes or to cover contingencies. There are two types of reserve: Usable and Unusable. Usable Reserves can be used to meet current expenditure, Unusable Reserves cannot.

Resource Centre Manager
A service budget holder.

Revaluation Reserve
This accounts for amounts where the current value net book value (NBV) of an asset is above its historic cost (NBV). It represents the accumulated amount of valuation gains less amounts written off owing to depreciation and impairment.

Revenue Expenditure
Revenue expenditure is spending on the day to day running costs of the Council. It includes expenditure on employees, premises, transport and supplies & services.

Revenue Expenditure Funded from Capital Resources under Statute (REFCUS)
Expenditure incurred that may be capitalised although it does not create a non-current asset.

Revenue Support Grant
Central Government grant support towards local government expenditure.

Section 151 Officer
The Officer designated to assume overall responsibility for the administration of the financial affairs of the Council and for the preparation of the Council's Statement of Accounts.

Settlements and Curtailments (IAS 19 Term)
Settlements are liabilities settled at a cost materially different to the IAS 19 reserve during the year. Curtailments represent the cost arising from early payment of accrued pensions in respect of any redundancies during the year.

Slippage
This is when delays occur in capital works and therefore payments are not made in the financial year originally anticipated.

Surplus or Deficit
The remainder after deducting all expenditure from income.

'The Code'
The Code is a code of practice on Local Authority accounting that has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board – it was previously known as the SORP. The 2010/11 Code is the first to be based on International Financial Reporting Standards (IFRS), which local authority accounts are now required to be based on.

Transfer Payments
Relates to payments for which no goods or services are received by the Council e.g. Rent Allowances.

Work in Progress
The value of rechargeable work which has not been recharged at the end of the financial year.